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## A Child, a Youth, A Dog: Amazing Tales of Survival From Lost Plane

Compiled by Our Staff From Dispatches

CALI, Colombia — A father and daughter. A dog. Elation gave to despair and then elation again Friday in the recovery of the few survivors of the crash of an American Airlines jet in Colombia.

The number of survivors teetered throughout the day, from as few as four to as many as eight out of the 164 people aboard the plane when it plowed into a mountainside late Wednesday.

One of the first survivors to be rescued was spotted by his brother. Andres Reyes was in a helicopter surveying the area when he saw his brother Mauricio, 19, a business student at the University of Michigan.

Gonzalo Dussan Monroy and his 6-year-old daughter, Michelle, called out to one another amid the debris. Early reports said the rest of their family — Nancy, the mother, and Gonzalo Jr., 13 — had survived, too, but as the day passed hopes faded.

"I get a different story from everybody," said a sister-in-law of Mr. Dussan's, Miriam Mera, who shares a New Jersey home with his family. "I am depressed."

Mr. Dussan said he had noticed nothing amiss aboard the plane and was not even aware of the crash until he woke up on the ground in the Andean cold.

Heavy snow in the Northeast United States delayed connecting flights from New York, and caused many people to miss their connections to the doomed

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Relatives of passengers on the doomed American Airlines Miami-Cali flight waiting for news of loved ones at a Colombian Army base Friday.

## Labor Talks Fail to Settle French Mood Of Disquiet

**Union Leaders Brand Government Proposals On Jobs 'Inadequate'**

By Joseph Fitchett  
*International Herald Tribune*

PARIS — After the worst labor disruption in a decade, France entered the holiday lull on Friday amid suspense about the risk of fresh troubles in the new year as labor leaders voiced dissatisfaction about job plans offered by Prime Minister Alain Juppé.

Although trains were restored for Christmas departures, union leaders warned that the government's response was "dangerously inadequate" for France's social unrest. But they did not specifically threaten fresh strikes of the sort that paralyzed the country for most of December.

They spoke after a 10-hour meeting, described as a "social summit," in which Mr. Juppé sought to find common ground with the trade unions after the monthlong confrontation. "It was a muddle, not a mountain," one union leader said.

No sense of psychological resolution emerged from the marathon session among government ministers, union leaders and the head of the French industrialists' association, who had sought to find a way to move beyond the sour divisions of the strike.

Some economists offered a more upbeat reading, saying that the Juppé government had stuck to an agenda that promised further interest-rate cuts and perhaps an uptick in consumer spending. The impact of those gains, however, would only come in the second half of next year.

A spokesman for the government called the talks a "success" just because they had taken place after a period of severe tension, and said that the government expected more intensive consultations with union leaders in the coming months.

The only echo of this view came from Nicole Notat, leader of the reform-minded Democratic Confederation of French Trade Unions, who said that the talks had produced a skeleton of government promises that would have to be fleshed out in the months ahead.

Mrs. Notat, who kept her union largely on the sidelines during the strikes, saw Mr. Juppé adopt her emphasis on youth unemployment, including a call for companies to fill half their job vacancies with people under 25. In addition, the government called for a speedup in business-unit negotiations over part-time work and other measures designed to inject more flexibility into the labor market.

For financial observers, the key point was different: the fact that no challenge materialized to Mr. Juppé's plans for reorganizing the nation's health-care system, which is the centerpiece of his attempts to decrease the nation's deficits and keep France competitive with Germany.

In its latest long-term forecast, the investment firm Smith Barney has offered a more optimistic prediction for the French economy, saying that despite the strikes' impact, both France and Germany can expect

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## Santa's Real Elves Are Hard-Working, Badly Paid and Poor

By Steven Mufson  
*Washington Post Service*

SHENZHEN, China — To find Santa's workshop, start at the North Pole and point your reindeer south. Way south, until you arrive at the paved-over rice paddies of southern China.

Here you'll find Santa's helpers: about 300,000 low-paid Chinese migrant workers, virtually all of them women in their late teens and early 20s.

By night, the women live in fenced-in concrete dormitories with five to eight people in a room. By day, hundreds of factories, they work on assembly lines, molding, painting, scraping, testing and boxing Christmas presents that will sit under trees and hang from mantles in homes across America and Europe. No holly decks these halls, no whistling while they

work and the only jingle is the sound of money being made by toy companies.

The Chinese government calls this boomtown an SEZ, which stands for special economic zone.

But the initials could easily stand for "Santa's economic zone." Southern China has become the toy workshop of the world. Of all the toys sold in the United States, for example, more than 40 percent are made in China, with an export value of \$4.7 billion and a retail value six to eight times as high. Items range from Christmas ornaments to Disney dolls. One factory alone makes one-third of the world's pop-up books for children. With such volumes, shipping is not done by sleigh, but by containers sent through Hong Kong's harbor.

The growth of Shenzhen's toy industry has been fueled by foreign investment and cheap labor. This year, Mr. Ting's companies will make more than 100 different types of toys, including more

"The industry has gone in for low-cost labor ever since World War II," said David Miller, head of an American association of toy manufacturers. As a result, American toymakers have moved their operations from Japan to Taiwan to Singapore to Thailand and now to China.

If Shenzhen is Santa's workshop, then Dennis H.S. Ting is one of Santa's biggest subcontractors. The Hong Kong toy magnate is managing director of Quaidix Industrial Co. and chairman of Kader Holdings Co., with revenue around \$100 million a year.

Over the years, Mr. Ting estimates, his companies have made 30 million Star Wars characters, about 30 million Mighty Morphin Power Rangers and nearly 10 million Cabbage Patch dolls.

This year, Mr. Ting's companies will make more

Power Rangers, My First Buddy's, a doll for Mattel's Dream Cruiser, Bizzy Big Rigs and a series of toys from Louis Galoob Toys Inc. of Del Rio, Texas including "My Pretty Dollhouse," "Enchanted Castles," "Biker Mice From Mars," and "Blazin' Cycle." Most of the toys now in stores in the United States were made between July and October.

About 15,000 of Santa's elves work in China for the two Ting companies, including 6,000 at the biggest of three Quaidix plants. They sit on the lowest rung of the toy-making chain. If a toy costs \$10 in the United States, it probably had a price of \$1.60 when it left the factory in Shenzhen. Of that factory price, only 10 percent to 25 percent went into labor costs.

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## What Do Girls Want? Toys That Teach Them How to Attract Boys

By Megan Rosenfeld  
*Washington Post Service*

WASHINGTON — Imagine this Christmas Day scene: Four 7-year-old girls, their tender cheeks flushed with excitement, settle down to play a new board game called Sealed With a Kiss.

The girls choose their playing pieces — a colored pawn and a postcard-size picture of a teenage boy, a "hunk." One girl twirls the spinner to see how many places she will move her pawn around the board.

She lands on a picture of a girl and boy embracing. Great! "Spin an 'X' to give a kiss." She gets an "X," and stamps her "hunk's" face with the "cool" Kiss Stamper, which leaves a lipsticked mouth. The first girl to get five kisses wins.

In a toy industry already dominated by males as

producers and consumers, both parents and manufacturers are interested in boosting sales of female-oriented toys. One study found that 11 of the 15 most advertised toys in 1993 were aimed at boys. Another study found that, in a typical toy supermarket like Toys 'R' Us, seven aisles were crammed with things for boys, while five aisles — mostly of dolls, and mostly packaged in pink and purple — were for girls.

The catch is after doing what they describe as "extensive" research, toy companies say that to make toys interesting to girls they have to focus on one element: boys.

"We're concerned that the pink and purple aisle has very traditional notions of what girls are about," said Heather Johnston Nicholson, director of the National Resource Center of Girls in Indianapolis. "Real girls are active and adventuresome, but what's

in the pink and purple aisle is boring and patronizing."

"We're teaching girls at younger and younger ages that your most important job is to be attractive, to grab a male, to think of life in terms of a relationship with one other person," she added.

Take Dream Phone (ages 9 and up), which comes with a battery-powered pink plastic telephone on which to call "cute guys" to discover the identity of your "secret admirer." Is it Dale? Jamal? The phone offers clues: "I know where he hangs out," says the electronic voice. "He's not at the snack shop."

The girl who correctly guesses which guy has a crush on her wins. You lose a turn if you draw the card that says, "Mom says hang up," with a picture of a crabby-looking woman wearing a kerchief tied around her head.

Milton Bradley Co., the company that markets Dream Phone, said the game was the product of consumer research into what girls want.

"We design our games based on what they say," a company spokesman, Mark Morris, said. "The object of the game is trying to see who has a crush on you, but the game play itself is one where you're checking into all these details and places. It's really a game of deductive logic."

Milton Bradley also markets Girl Talk, for ages 8 and up, a board game with a spinner that directs the players to do or say things for points:

"Describe in detail the worst time you threw up."

"Call the cutest guy in your class and tell him

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## Soros on Russia: A Place (Still) Worth the Wager

By Michael R. Gordon  
*New York Times Service*

NEW YORK — The Communists may be on the march again. Economic reforms have faltered. But George Soros has not given up on Russia.

The billionaire financier and self-appointed promoter of capitalism and democracy in former Communist countries is selectively investing in Russia despite all the risks and the ominous headlines.

For those who track Mr. Soros's globe-trotting operations that is a switch. Just last year, Mr. Soros visited Moscow, decided that the emerging financial market there was about to burst and gave the order to sell.

"I got out almost entirely," Mr. Soros said last week. "Currently I am going back in. I do it because the reward in certain situations is so great it is worth taking the risk."

None of this makes Mr. Soros an optimist on Russia. If his investment strategy could

be summed up in a single phrase it would be "cautiously pessimistic," he said.

Mr. Soros was more eager to talk about his political analyses of the new Russia than to detail his specific investments or investment strategy.

Generally upbeat about the progress East European nations have made toward a market economy, Mr. Soros has had long and profitable experience in emerging markets. But he said he does not consider Russia, with its shaky legal structure and nascent commercial code, to be a true emerging market.

Mr. Soros's Russia is a land dominated by what he terms "robber capitalism": simply put, a breakdown of legal and financial controls, which has set off a race among the new elite to appropriate the assets of the former Soviet Union.

Enriched by their new factories and com-



VOTING WEATHER — Polling officials carrying a ballot box to the village of Erzurum in Turkey. Parliamentary elections were to be held Sunday.

## New Owners for St. Louis Cardinals

ST. LOUIS, Missouri (AP) — The brewer Anheuser-Busch said Friday it had agreed to sell the St. Louis Cardinals for \$150 million to a group of investors who say they will keep the team in the city.

The deal still must be approved by major league baseball, and the new owners expect to close the deal Feb. 15.

Anheuser-Busch announced in October that it wanted to sell the team, which it said lost \$12 million in 1995.

Gingrich Investigation

WASHINGTON (AP) — A House panel Friday named James Cole as special counsel to investigate allegations that House speaker, Newt Gingrich, misused a college course for political purposes.

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## AGENDA

### New Owners for St. Louis Cardinals

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## Vietnam's New Elite Finds That Education Doesn't Pay

By Tim Larimer  
*New York Times Service*

HANOI — After the fall of Saigon and the end of the Vietnam War in 1975, thousands of Vietnamese fled the country in an exodus that included many scientists, doctors and engineers.

Two decades later, another kind of brain drain, this one internal, is bleeding talent from the country's universities, hospitals and government ministries.

This time members of the educated class are not leaving Vietnam. They are abandoning their professions for jobs that pay more but make no use of their educations.

"It is my dream to work as a doctor, but the pay is too small and the conditions are not good," said Cao Minh Tuan, 35, who traded in his stethoscope to sell television sets. "Now I make enough money to buy two houses. On a doctor's salary, I could never do that."

Mr. Tuan's conversion from doctor to merchant has made him wealthy. Many others like him are discovering that the introduction of a market economy in Communist Vietnam means that there is more money to be made in the private sector. But privatization thus far does not mean they can automatically simply shift their jobs from the government payroll to better-paying positions.

There are not yet any private hospitals or clinics, for example, and the idea of private medical practice has not yet caught on. Many doctors find secondary sources of income. Selling pharmaceuticals is among the most popular.

But the professions that once commanded stable government wages, subsidized housing and lifetime security — teaching, engineering, medicine — have yet to benefit from moves toward a free market.

The real opportunities for getting rich are in tourism, real estate and trade, or with foreign companies. At the

same time, government ministries, schools and hospitals are cutting jobs.

So people with advanced degrees are taking jobs that have little to do with their education. Hotel receptionists usually have college degrees. Taxi drivers often do, too.

A recent graduate of medical school washes cars for a living. He makes more money than he would working in a hospital.

A schoolteacher works as a doorman for an upscale hotel. A geography professor has made a small fortune in real estate and has opened a beer hall. Doctors in a rural province outside Hanoi work as bricklayers.

"We are in kind of a transition period," said Nguyen Thanh Ha, who has studied the brain drain for the government's Institute for Science Management. "The labor market is not yet functioning well. If things are not

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جامعة

# A New Vatican Handbook Urges Boycott of Secular Sex Education

By Daniel Williams  
Washington Post Service

VATICAN CITY — The Vatican has launched a new assault on secular-based sex education, urging parents to take their children out of classes that teach such practices as "safe sex" or that treat sex purely as a health issue outside the realm of Christian values.

The recommendations were set out in a new handbook called "Human Sexuality: Truth and Significance," published this week by the Pontifical Council on the Family.

In one sense, there is little new: The 63-page booklet conforms with the strict teaching on sex that have become a hallmark of the papacy of John Paul II. The book favors chastity outside of marriage, opposes contraception and abortion, and declares masturbation and homosexual practices to be "disorders."

In a separate article, however, the authors make clear that the goal is not merely to rebuff familiar Vatican teachings or serve simply as reminder to mix the Bible with the birds and the bees.

Rather, they regard the compilation as a broadside against a 30-year-old culture of "sexual revolution," which they believe led to a "breakup in the field of relationships."

In particular, the authors wrote in the Vatican newspaper L'Osservatore Romano, the sexual revolution of the 1960s, fueled by commercialization of the birth-control pill, made possible a separation of the sex act and its "significance."

An article signed by Monsignor Alfonso López Trujillo, president of the council on family, and his assistant,

Monsignor Elio Sgreccia, said that "the new thing consisted in the effort to justify the passage from the responsible use of sex to sex as pleasure" without seeing "that this was also a wound at love and a betrayal of it." Both men are regarded as close associates of the Pope.

What some veterans of the 1960s view as simply a time of experimentation and loose living, the Vatican sees as a major ideological agenda aimed at eroding the foundations of society.

"It has in fact been a radical ideology that made sex a revolutionary weapon to break all relation with tradition, and as a consequence the parent-child educational relationship, to destroy the family institution and install the most extreme form of individualism," the authors wrote.

The effects, they wrote, have been a

"deep slavery combined with an ever-growing confusion of spirit," sex-as-profit and sex-as-spectacle, drug addiction and AIDS.

Public authorities in different countries reacted in the belief that the problem could be resolved by expanding hygienic information in the schools. But even this kind of information has been reduced to a weak vision," the authors wrote. "The precautions are and will be non-effective outside the framework of family values."

The booklet has been published only in Italian so far, but it soon will be translated into several other languages, including English, a Vatican spokesman said.

"The main idea is to get parents more involved," said the spokesman, Joaquin Navarro-Valis.

## Pope Makes Holiday Plea for Bosnia Peace

Reuters

VATICAN CITY — Pope John Paul II began a busy schedule of Christmas ceremonies at the Vatican on Friday that will culminate with his traditional message to the world on Christmas Day.

The Pope met cardinals of the Vatican Curia for an exchange of Christmas greetings in which he said he hoped Bosnia's peace accord would finally lead to a stable and lasting settlement.

The pontiff will celebrate midnight Mass in St. Peter's Basilica on Christmas Eve and deliver his traditional "Urbi et Orbi" blessing and message — to the city of Rome and to the world — at noon on Christmas Day.

Vatican officials said the message, delivered in numerous languages by the Pope from the

central balcony of St. Peter's, would be broadcast live to at least 66 countries, including Bosnia, and watched by more than 500 million people.

The Pope recalled the suffering of Bosnia in Friday's speech when he spoke of celebrations earlier this year to mark the 50th anniversary of the end of World War II.

To commemorate the end of the most horrendous war in the history of mankind meant renewing our repudiation of war as a means of resolving conflicts and redoubling efforts to end the wars of today, above all in the Balkans," he said.

"After four years of prayers and incessant efforts there are finally signs of an agreement in Bosnia which we hope will be stable and lasting," he added.

## Bosnia Ends State of War As Rival Forces Pull Back

Compiled by Our Staff From Dispatches

SARAJEVO, Bosnia-Herzegovina — The Bosnian government said Friday that it was ending the formal state of war that has existed since June 1992 on territory it controls in the former Yugoslavia, but that a lesser state of alert would remain in force.

A statement issued by the Bosnian presidency said the decision was made in accordance with the requirements of the Dayton peace accords, signed earlier this month.

The statement offered security guarantees to Serbs living in suburbs around Sarajevo and called on them not to flee before the transfer of their areas to Muslim-Croatian government control.

Under the accords, the warring Muslim, Serbian and Croatian factions have until Jan. 19 to withdraw from a new zone of separation that divides the country.

Rival local armies, meanwhile, pulled back Friday from some front lines policed by troops under the North Atlantic Treaty Organization, but tensions remained high in Serbian-held sections of Sarajevo, with some families fleeing and taking their dead with them.

No-nonsense tactics by NATO forces that included bulldozing checkpoints of rival armies had Serbs, Croats and Muslims cooperating on the third day of "Operation Joint Endeavor," the dangerous task of policing Bosnia's peace.

In an effort to reassure Serbs, the United Nations Security Council authorized the UN to send more than 1,700 civilian police to Bosnia, the largest force of this kind ever deployed by the world body.

The force, to cost about \$90 million over the first six months, is expected to be deployed mainly in Serbian suburbs of Sarajevo.

Carl Bildt, who is charge of civilian implementation of the peace accord, met Friday with Serbian leaders at their

stronghold in Pale, outside Sarajevo.

"The most difficult thing to understand is that those who were enemies yesterday are going to be partners tomorrow," Mr. Bildt said. "It takes some time, but I feel that people I meet are all happy that there is peace and that makes me optimistic."

Few tensions were reported Friday outside of Serbian-held sections of Sarajevo.

But Associated Press Television footage showing Serbs taking coffins containing the remains of their beloved with them as they left sections of Sarajevo cast a pall on the future of the city.

Jadranko Milinic, a Serbian soldier, said he was removing the coffin of his cousin, who he said was killed in February 1993.

"I have to remove his remains to prevent the Muslim-Croat coalition from desecrating him," he said.

An old man explained why he was exhuming his son: "I want to be able to visit his grave and light a candle."

In Sarajevo, Western aid officials expressed revulsion at the exhumations and said they would not help transport bodies.

(Reuters, AP, WP)



A Chechen woman lifting her arms in protest Friday as Russian tanks entered her village near the town of Gudermes.

## Not Enough Evidence for Espionage Inquiry, Polish Prosecutor Says

Compiled by Our Staff From Dispatches

WARSAW — Easing pressure on Prime Minister Józef Oleksy, Poland's military prosecutor said Friday that there was as yet insufficient evidence to justify a formal inquiry into accusations that the former Communist spied for Moscow.

The prosecutor, General Ryszard Michalowski, said in a statement that certain "gaps" must be filled in by the Interior Ministry before he decides whether to begin an investigation.

"There is a need to demand that the data that has been supplied be supplemented as soon as possible," said the general, who is responsible for investigating security cases.

Had the military prosecutors decided to proceed with an inquiry, pressure would have mounted on Mr. Oleksy to resign.

The prosecutor's statement came on Lech Wałęsa's last day as president and amid reports the spy charges against Mr. Oleksy were the result of Russian subterfuge aimed at hurting Poland's chances

for joining NATO. Russia denied such a plan.

It also came as Mr. Oleksy replaced Interior Minister Andrzej Milczanowski, a Wałęsa ally who has been prominent in making the accusations, with an interior minister with roots in Polish Communism.

The day before, Mr. Milczanowski told a stunned Parliament that security service evidence showed that Mr. Oleksy had been an informer for an unspecified nation until 1995, complete with a code name.

Mr. Oleksy immediately denied the accusation, making it clear that the intelligence service he is accused of aiding is Russia's.

The prime minister said he had known Soviet and Russian diplomats, but had ended all contacts with one when Polish security told him the man was a KGB officer. In Moscow, the Russian SVR intelligence service's first deputy director, Vyacheslav Trubnikov, said the accusations were devised to discredit Russia. "Political provocation is political provocation," he said.

The furor over the spy accusations comes just before Mr. Wałęsa is to step down at midnight Friday and the presidency is to be assumed by another former Communist, Alexander Kwasniewski, who won the presidential election last month.

Members of Mr. Oleksy's governing leftist party saw the accusations as a last bomb thrown by an embittered Mr. Wałęsa, who has vowed to rally the opposition for 1997 parliamentary elections.

(Reuters, AP)

## RELIGIOUS SERVICES

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# Compromise Is Not on Everyone's Budget Agenda

By Ann Devroy  
Washington Post Service

**WASHINGTON** — A liberal Democrat, praying for the budget talks to blow up, insisted this week that President Bill Clinton had little to gain and much to lose by compromising with the Republicans.

When Mr. Clinton has stood up to the Republicans, the liberal pointed out, his public approval has grown. But every time he has moved closer to the Republican agenda, he has lost support within his own party and risked his identity as a Democrat.

Conservative Republicans see little reason for their leaders to find common ground with the president.

"Why should we let him off the hook?" a conservative said of Mr.

Clinton. "We campaigned on a seven-year balanced budget and won the Congress. We are not going to compromise on that. This is not about compromise."

While the White House and Republican congressional leaders

## NEWS ANALYSIS

continue their very public fight over how to balance the budget, it is a very different set of arguments, outside the public view, that ultimately may prove decisive. These are the internal party debates between Mr. Clinton and liberal Democrats and between Newt Gingrich and the most conservative Republicans, over how much, if anything, to give up to secure a budget agreement.

As demonstrated this week when House Republicans rejected the handshake deal between their leaders and Mr. Clinton, these all-in-the-family discussions may be tougher in some ways than the more public partisan skirmishes.

Any budget compromise will probably entail getting the House freshmen to give up part of the agenda on which they have staked their own identities, including some or all of its \$240 billion tax cut and the proposed savings in Medicare and Medicaid. Compromise for the Democrats will mean agreeing to large spending cuts in domestic programs near and dear to their hearts and political careers.

An administration official said a deal may be possible only if both

sides abandon the "true believers" on both ends of the spectrum.

But liberals warn that such a strategy could backfire on Mr. Clinton in a major way. The Democrats, praying for the failure of the budget negotiations offered an illustration.

"Remember 1990?" he asked. "That's what George Bush did: abandoned his conservatives, went for a budget deal with a tax increase, called it good government and lost the political high ground and the election."

There is some truth in that analysis. Mr. Clinton's own failed health care proposal during the first half of his administration proposed scaling back the growth of Medicare and Medicaid. A tax cut was the centerpiece of the proposed "Middle

Class Bill of Rights" he introduced shortly after the last election in response to the perceived voter sentiments that had led to the Republican landslide. Yet his popularity continued to slide.

Mr. Clinton's numbers began to rise — as the Republicans' began to fall — only after he found a potent political life raft in proclaiming that he would protect Medicare and Medicaid from the congressional onslaught. He suddenly became a fighter for principle and a politician who stood for something.

And throughout the last six months, as Mr. Clinton has moved from opposition to a balanced budget to agreement for a 10-year, and then a 7-year plan, the Republicans have given barely an inch.

## No Agreement on Shutdown

The Associated Press

**WASHINGTON** — President Bill Clinton and Republican leaders met Friday, but concluded their meeting without reaching an agreement to end the partial shutdown of the government before the end of the year.

They will not meet again until late next week.

"This president wants, above all, wants to see the restoration" of the government services, the White House press secretary, Michael McCurry, said. "but everybody here knows that will not happen."

Although they issued a joint statement trumpeting the "good meetings" on Democratic and Re-

publican differences over a plan to balance the budget in seven years, there was no elaboration.

Congressional leaders were whisked past reporters waiting in the White House driveway, and they offered no statements.

Staffs for both sides will continue working on differences, and report back in a meeting between the leaders next Friday.

Earlier, Senate leaders expressed hope that a budget compromise would be found. "We are negotiating," Senator Bob Dole, the majority leader, said on the Senate floor.

The stalemate that has idled 260,000 federal employees entered its seventh day Friday.

## Clinton's Good News Doesn't Make News Media Ignore Investigator's Report on Whitewater

By Howard Kurtz  
Washington Post Service

**WASHINGTON** — "This should have been a great week for the Clintons on the subject of Whitewater," Ted Koppel declared on the television program "Nightline."

The reason, the program explained, was that a former Republican prosecutor, in a report to federal authorities, concluded that President Bill Clinton and his wife knew little about

the failed Arkansas land venture that has spawned the Whitewater investigations.

Yet Mr. Koppel's own program kissed off the report in a couple of sentences Tuesday, devoting the broadcast to more suspicious Whitewater currents.

The New York Times has run a word about the final report. The Los Angeles Times, The Washington Times and The Chicago Tribune ran 400 or fewer words of the Associated Press article on inside pages.

## POLITICAL NOTES

### House Approves Book Royalties

**WASHINGTON** — The House voted Friday, 259 to 128, to approve unlimited book royalties for legislators, while the Senate backed, 52 to 47, a welfare reform bill that President Bill Clinton has called "tough on children."

The Senate's vote gives congressional approval to a bill that, among other things, replaces the Aid to Families With Dependent Children program with block grants to states.

The House action followed an outcry over a \$4.5 million advance promised to the House speaker, Newt Gingrich, last year. The Republican later agreed to take an advance of only \$1 for two books.

### In a First, Congress Dooms Veto

**WASHINGTON** — The Senate joined the House on Friday to override Mr. Clinton's veto of a bill restricting investors' ability to sue companies in which they own stock.

It is the first time Congress has overridden a Clinton veto. The 68-to-30 vote assured that the bill will become law despite his objections. The bill limits attorney fees and permits the court to award fees and costs to the winning party in the event of a meritless or frivolous suit.

### O'Leary Shrugs Off Criticism

**WASHINGTON** — Energy Secretary Hazel R. O'Leary has accused her Republican critics of targeting her because they've failed in their efforts to eliminate her department. "I'm sure the thinking is that if they can't bring down the department at least they can get the secretary," she said.

Her critics are trying to oust her following reports that her department had hired a service to track reporters covering energy stories. She also has been branded the most frequent foreign traveler of the domestic cabinet members.

### Quote/Unquote

Norris Benard, a World War II veteran, on the cutoff of veterans' benefit checks due to the federal budget deadlock: "You offer your life in war and you don't get benefits. But the politics, it just goes on and on."

### Away From Politics

• An Ohio man who prosecutors said harassed his former wife and sent her hundreds of threatening letters after she fled with their young son to New Jersey has become the first man in the country to be arrested under a federal law included in the year-old Violence Against Women Act. (NYT)

• The Florida Supreme Court has struck down a century-old law requiring husbands to pay for their wives' housing, food, clothing and medical bills. Since the Constitution demands "equality between the sexes, it follows that a husband can no longer be held liable for his wife's debts, the court said.

• Prosecutors say a survey of potential jurors in Oklahoma showed that Timothy J. McVeigh and Terry L. Nichols can get a fair trial in the state, contradicting claims by the defendants in the Oklahoma City bombing, who have sought to move the trial out of state. (AP)

• A federal appeals court panel has ordered the attorney general of Georgia to defend his withdrawal of a job offer to a lesbian who participated in a religious "commitment" ceremony with her female partner. (NYT)

The Washington Post mentioned the findings Saturday in the 11th paragraph of a front-page article about a Whitewater couple.

In that subpoena battle, the White House agreed Thursday to turn over documents related to Whitewater sought by Congress.

To be sure, the report by a former federal prosecutor, Jay Stephens, does not put to rest many of the issues swirling around in the aftermath of Whitewater and the suicide of a White House lawyer and Arkansas friend of the Clintons', Vincent Foster. Suspicions and lingering questions often seem to loom larger than answers in the three-and-a-half-year-old Whitewater affair.

"We've all spent huge amounts of ink on the speculation people have had about the problem," said Alan Murray, Washington bureau chief of The Wall Street Journal, which on Monday was the only major newspaper to carry a staff-written article on the report. "We could afford to spend a little ink on a report that suggests there wasn't a problem. Basic fairness requires that you do it."

But other journalists say the report came as little surprise, that it dealt with relatively narrow questions and that several newspapers had publicized a preliminary version in June.

"This report, while it's certainly good news for the Clintons, doesn't resolve all the questions by a long shot," said Jeff Greenfield, the ABC reporter who did the "Nightline" story. He said journalists covering Whitewater deemed the report "old news."

Karen De Young, The Post's assistant managing editor for national news, said she agreed with two of her reporters "that there was very little that was new in it from the substantial coverage we had given to the draft over the summer."

But the White House press secretary, Michael McCurry, sees other factors at work.

"For most editors and journalists, Whitewater has morphed into something else, gory speculation about Vince Foster and so on," he said, adding, "Here's a report that corroborates what the Clintons have said, but it's not newsworthy because it doesn't deal with what the popular culture considers Whitewater."

The report, prepared for the Resolution Trust Corp., the government agency overseeing failed savings and loans, was overshadowed by the Senate Whitewater committee's hearings into the conduct of the Clintons, their friends and their advisers after Mr. Foster's death in the spring of 1993.

The panel unearthed evidence that Hillary Rodham Clinton did more work in the 1980s than she has acknowledged for Madison Guaranty, the Arkansas savings and loan at the heart of the case.

### Alexina Duchamp, 89, Artist's Widow, Dies

By John Russell  
New York Times Service

Alexina Duchamp, 89, the widow of Marcel Duchamp, died at her home in Villiers-sous-Grez, near Paris, on Wednesday.

She was a former daughter-in-law of Henri Matisse and a close friend of John Cage and Jasper Johns; she was in her later years the unquestioned doyenne of the survivors of a great age in art, dance and music.

She had close ties to Philadelphia and took pride in being an honorary trustee of its Museum of Art, which has by far the largest collection of Duchamp's work. She was delighted when, in 1967, Duchamp's last major work, the scenographic "Etant Donnés" ("Given: 1. The Waterfall, 2. The Illuminating Gas") was installed there.

"Etant Donnés" had been built in secret in New York between 1964 and 1966, at a time when Duchamp was believed to have stopped working forever. During much of its construction Mrs. Duchamp was the artist's sole confidante.

Dr. Hugh Hollingsworth Smith, 93, a virologist who was a principal member of the scientific team that developed the yellow-fever vaccine for the Rockefeller Foundation in the 1930s, died Monday at his home in Tucson, Arizona.

### Funds Set for Covert Action Against Iran

By R. Jeffrey Smith  
and Thomas W. Lippman  
Washington Post Service

**WASHINGTON** — Bowing to pressure from the House speaker, Newt Gingrich, the Clinton administration has agreed to accept a House bill authorizing a small-scale covert action program aimed at moderating the radical Islamic government in Iran, including cultivating new opponents to the regime, administration and congressional sources said.

Mr. Gingrich has described Iran as "the most dangerous country in the world" and for weeks had been quietly holding up House approval of a \$2 billion intelligence community spending bill in an effort to force the administration to accept a covert program that targets the Iranian government.

With support from some senators, the administration resisted funding any program aimed at overthrowing the Tehran regime, as CIA officials said it was unlikely to succeed. But House and Senate negotiators hammered out a deal Tuesday that authorizes secret spending of up to \$20 million for a covert anti-Iran program.

Instead of trying to overturn the

regime, the program would have the less ambitious aim of blunting Iran's extremist policies and encouraging it to move — even if slowly — toward democracy, several sources said.

The bill does not authorize any spending for lethal military aid to anti-Iran forces, such as the assistance the Reagan administration provided to the contra rebels in Nicaragua to try to destabilize the government, several sources said.

The secret provision is contained in the intelligence funding bill the House passed Thursday, sources said. Congressional sources said the Senate was expected to approve it as well, and sources in Congress said the administration predicted that President Bill Clinton would sign the legislation shortly after he received it. Two sources said the administration had agreed to spend some of the anti-Iran funds.

The Senate also agreed to apply the same penalties against foreign companies investing in Libya's oil business.

Senators Alfonse M. D'Amato, Republican of New York, and Senator Edward M. Kennedy, Democrat of Massachusetts, went after Libya, another oil-dependent economy, to mark the seventh anniversary of the bombing of Pan Am Flight 103 over Lockerbie, Scotland. Libya has refused to hand over two suspects in the bombing.

The measure probably would have less effect on Libya than on Iran because Libya is already under United Nations sanctions.



Senator Dole pondering a reporter's question during a break in budget talks.

## Clinton to Wait Before Visiting GIs in Bosnia

The Associated Press

**WASHINGTON** — President Bill Clinton wants to visit U.S. troops in Bosnia when military leaders tell him it is appropriate, and he suggested Friday that Senator Bob Dole and others who want to go should do the same.

"I don't want to interrupt deployment in any way," Mr. Clinton said during a briefing at the Pentagon. "If it was solely up to me, I would go tomorrow — literally tomorrow — but I think it's very important that I do not anything which interferes with the deployment."

He added: "All of us should consult with the military leaders and do what is consistent with the interests of our troops in the mission."

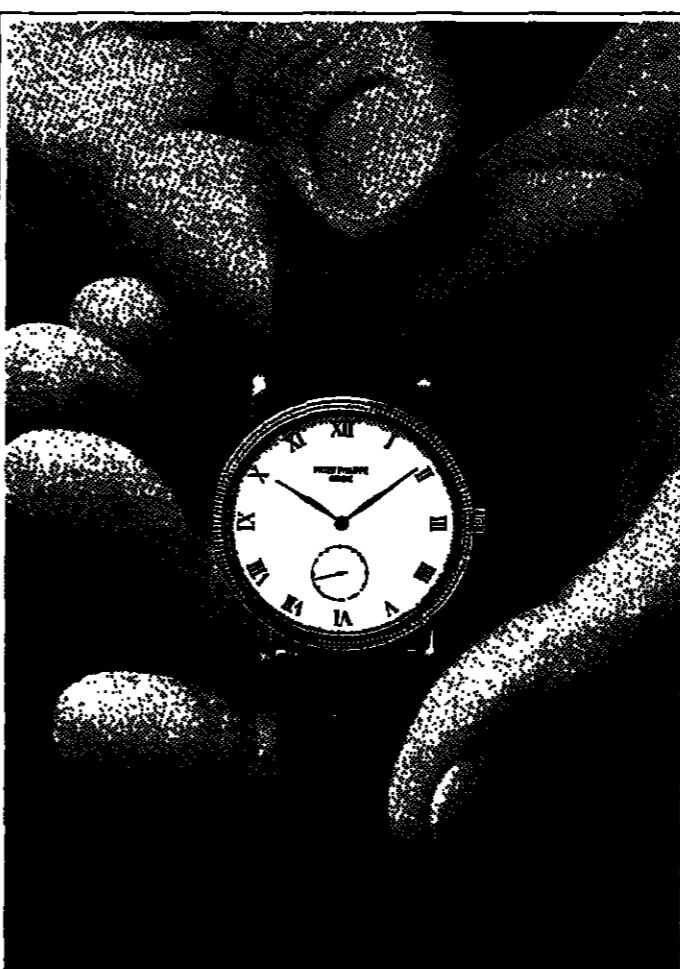
Mr. Dole, the Senate majority leader and leading candidate for the Republican Party's nomination in the 1996 presidential elections, has said he would like to share the holiday season with the troops if the current government budget crisis can be ended.

Others who have announced tentative plans to go to Bosnia are Senators Thad Cochran, Dirk Kempthorne and Ted Stevens, all Republicans.

"We were told it was a very bad idea," the White House press secretary, Michael McCurry, said. "It would interfere with the deployment that is now under way and, frankly, we would get in the way."

Mr. Clinton said the possibility of American casualties worried him, but he said the troops were performing well and working to "minimize casualties."

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## EDITORIALS/OPINION

**Herald Tribune**

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

**A Royal Mess**

Queen Elizabeth II, lacking some of the powers afforded earlier English monarchs, has settled for divorce to rid the House of Windsor of the bedeviling marriage of the Prince and Princess of Wales.

There was a time when the English sovereign dealt more decisively with royals who made trouble or outlived their welcome. The most common punishments since Henry VIII's day were execution (two of Henry's wives and Mary, Queen of Scots), incarceration (George I's wife, for adultery) and exile (Edward VIII, the Duke of Windsor).

Prince Charles seems ready to oblige his mother, and the Archbishop of Canterbury, George Carey, presumably gave his assent for divorce before Buckingham Palace disclosed the queen's strategy.

Princess Diana has not yet been heard from, but she told the BBC last month she would be guided by her husband's wishes on the survival of their marriage.

Ending the marriage will not end the royal mess. There is, for instance, the question of whether Prince Charles, 47, the heir to the throne, might wish both to remarry and to be king. British monarchs are defenders of a faith that does not sanctify

the remarriage of divorced persons. There is no tidy solution. The order of succession could be changed to pass by Prince Charles and go directly to his elder son, William. But after his long apprenticeship, Charles might understandably be unenthusiastic about that idea.

Perhaps the Church of England could just bend its rules a bit. Henry VIII, who established the Church, was twice divorced and five times wed.

Just as knotty is the matter of Diana's future after a divorce. She says she wants to be a roving ambassador and to reign in the hearts of her people. She will certainly want a generous financial settlement, access to her children and a title befitting her rank. Nothing so angered the Duke of Windsor after his application as his family's refusal to call his twice-divorced American wife Her Royal Highness.

All of this will take months, if not years, to sort out. While they watch, the British people, whose taxes support the monarchy and its legal fees, may tire of the melodrama and decide to adopt a republican form of government. We would not bet on it.

—THE NEW YORK TIMES

**Hurtful Welfare 'Reform'**

President Bill Clinton earlier this year gave way too much ground in endorsing one bad welfare bill. This past week, he finally took the right stand in announcing that he would veto a successor bill that is even worse. Better late than never, and not a moment too soon.

His announcement came as the House passed this terrible piece of legislation and the Senate prepared to take it up. This time, Mr. Clinton should stick to his position, and the bill's opponents should have the political will to sustain any veto. That would provide the one chance of passing welfare reform that does what it claims — or, failing that, of at least avoiding a dangerous step toward something worse even than the current system.

Advocates of this bill's deep cuts in programs for the poor and its ending of welfare's "entitlement" status like to cast themselves as true friends of the poor and foes of "dependency." Their hardheadedness, they say, grows from warmth and a desire to promote work.

But the House Ways and Means subcommittee on human resources heard a very different analysis from Lawrence M. Mead, a welfare expert much respected by Republicans and conservatives. Professor Mead was not at all confident that Congress's welfare proposal would do

much to promote work. On the contrary, he said, it imposes theoretical "work requirements" that states will have great trouble meeting. He suggested that the states might just dump work requirements entirely and take the modest 5 percent cut in federal aid that the bill proposes. This is "welfare."

But hear out Mr. Mead's argument. "To promote serious reform, it is crucial that Congress manifest that work requirements are serious, and also that it is possible to meet them," he said. "I fear that the new stipulations are not creditable as they stand. They call for participation rates never before realized except in a few localities, yet they provide no specific funding or program comparable to JOBS [the Job Opportunities and Basic Skills Program] to realize them. The demands made look excessive, but it is also doubtful whether Congress really means to enforce them." Imagine that a bill that claims to be historic whose work requirements are essentially rhetorical.

If Congress wants a welfare "reform" that will do little to encourage work while endangering the basic systems of support for poor children, this bill is just the ticket. But that's a strange place for a "revolutionary" Congress to end up.

—THE WASHINGTON POST

**Winter Wonderland**

The sanitation workers of New York City labor under a dual identity. By summer they are unloved garbage removers, who periodically get photographed spilling trash from litter baskets onto the street, or looking unproductive during work hours. Then the snow comes, and they become the heroic sanitation crews who labor all night so that their fellow New Yorkers may commute in safety.

"To our guys, this is like a robbery in progress for a cop — the adrenaline starts pumping," said Sanitation Commissioner John Doherty, one of the few top city officials who worked his way up through the ranks of his department.

New Yorkers wait for a chance to shine, and snow always creates new stars. Homeless men become the most popular people on the block if they volunteer to clear sidewalks and dig our cars.

"The first rule is to take good care of your tools," one said as he parted a dent shovel and a piece of wood used for scraping off windshields.

If the storm is bad enough, the mayor will drop by the sanitation garages to speed the hero plowboys on their way. All New York politicians believe that city

residents, who accept endless abuse on all other matters, will not forgive a street left unplowed for more than a few hours.

"They see snow, they have a compunction — get it off quick," says Mr. Doherty. "They want to see that asphalt."

Before the first flake hit the ground last Wednesday, New York had already enjoyed its final angst over the size of the snow-removal appropriation (too low) and the state of the salt supply (OK for now).

The salt comes mainly from overseas these days, from Chile and sometimes Italy. During the endless blizzards two winters ago, the Chilean salt miners became heroes themselves, as the city nervously watched its salt pile begin to dwindle and the sanitation commissioner promised to be at the dock to greet boats from South America with a fresh shipment.

The workers' moment of glory will be short-lived. Once they have saved the day and kept the streets open, they will be back to plow more snow onto cars that have just been swept clean by their owners. "We've never figured out a way of preventing that," said Mr. Doherty.

—THE NEW YORK TIMES

**Other Comment****A Solution for Sri Lanka**

You don't have to be a fan of Sri Lanka's government to welcome its retaking of Jaffna. When the army raised the national flag over Jaffna Fort earlier this month, it marked the first time government troops had dared set foot in the city, the de facto capital city of the Liberation Tigers of Tamil Eelam, in five years. It was a hard-bought victory. Government officials estimate that almost 2,000 Tigers and some 500 government soldiers were killed in the 47-day offensive. The question now is where Sri Lanka goes from here.

We have no crystal ball, but we can offer some criteria. Ever since the government offensive began, its critics have been crying that Sri Lanka's problems require a

political solution, not a military one. And true enough, if the Sinhalese majority and roughly 18 percent Tamil minority are ever to live together in any kind of peace, it will require some kind of political accommodation. The brutal fact, however, is that a government unable to fly its own flag on its own land is in no position to negotiate, let alone enforce, such a peace.

The Tigers themselves understood this when they unilaterally rejected a generous settlement and pulled out of peace negotiations back in April. ... The point is that there can be no political solution in Sri Lanka so long as the Tigers are part of the equation, for the simple reason that the Tigers do not want a political solution.

—Far Eastern Economic Review

(Hong Kong)

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International Herald Tribune, 181 Avenue Charles-le-Gaulle, 92321 Neuilly-sur-Seine, France. Tel: +33 1 43 93 81 Fax: +33 1 43 92 10. Internet: [HTTP://www.kirk.com](http://www.kirk.com).  
Editor for Asia: Michael Bernickov, 5 Columbus Rd., Singapore 0511 Tel: 65 422 7762 Fax: 65 422 7763.  
Newspaper: Tel: 65 422 7762-7763. Tel: 65 422 7764-7765. Tel: 65 422 7766-7767.  
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## 5 in Crew Set Free By North Koreans

Reuters

BETHLEHEM, West Bank — Church bells and Muslim calls to prayer rang out over Bethlehem's Manger Square on Friday as Palestinians celebrated their first day of freedom under self-rule.

Drivers smiled and joked with policemen in spotless new uniforms directing traffic by the Church of the Nativity, the traditional birthplace of Jesus.

Major Elias Freij pushed for peace when the idea was not so popular. But after Israeli troops finally left his town, he ruefully admitted that the bitterness they leave behind will take time to subside.

Israeli officials, he suggested, are not necessarily welcome at the first Palestinian-run Christmas festivities starting Sunday night.

"For 28 years, Israelis were represented here by their military governors," said Mr.

Freij, who also is the tourism minister in Yasser Arafat's Palestinian Authority. "Maybe in three years we'll invite them."

Mr. Freij said Friday that Israeli tourists were welcome in Bethlehem as long as they were unarmed. To prevent conflicts, however,

the Israeli Army announced that it would bar Israelis from entering Bethlehem through Sunday, Christmas Eve. It is army practice to keep Israelis out of PLO-ruled areas in the first few days after the handover of power.

Foreign tourists, however, will not be barred.

The Palestinian self-rule government took control Thursday of the biblical town, 8 kilometers (5 miles) south of Jerusalem. In a cacophony of church bells, gunfire and cheering crowds, the last Israeli troops withdrew and more than 850 Palestinian police took up positions. Bethlehem thus became the sixth

West Bank town, in addition to the Gaza Strip, to come under Palestinian control as part of the autonomy accords between Israel and the Palestine Liberation Organization. Ramallah and much of Hebron also will be transferred before Palestinian elections Jan. 20.

Mr. Arafat plans to deliver a Christmas Eve speech from the roof of the Church of the Nativity to a crowd expected to number in the tens of thousands. He arrives on Saturday afternoon with his wife, Suha, and their baby daughter, Zahwa.

It will be Mr. Arafat's first visit to Bethlehem since he made peace with Israel and became leader of the Palestinian autonomy government. Mr. Freij said no other world leaders, including, pointedly, Prime Minister Shimon Peres of Israel, were invited to the festivities.

Although Muslims outnumber Christians

in the town by 35,000 to 15,000, the Christmas celebrations this year are expected to be a manifestation of all Palestinians' national aspirations.

While the party mood lingered after the troop withdrawal, residents worried that by barring their entry to work in nearby Jerusalem, Israel was still controlling their lives. And Bethlehem Christians voiced hope that Muslim-dominated Palestinian authorities would treat them as equals.

Thousands of Bethlehem residents used to cross into Jerusalem to work as laborers before Israel imposed restrictions on Palestinians entering the city.

"Now we have freedom to walk our streets without fear," said Abdallah Abu Seneh, sweeping away the rubbish left by Thursday night's revelries. "But they shut the door to Jerusalem."

## TOYS: A Mating Game

Continued from Page 1

jokes. He has to laugh before you hang up."

"Would you ever marry someone for money?"

A player who does not want to answer or perform gets a "Zit Sticker," a red dot she must stick on her face. The winning player gets to read her Girl Talk Girl Cards, which each player matches the description on the card: "Bubble personality," "Loves to gossip," "Wiggles when she walks."

"I hate these games," said John Mueller, a doctor, who was shopping for his two daughters and two sons at a Toys 'R' Us store in Virginia last week. "I find them stereotyping, sexist, frivolous and they emphasize traits not beneficial to their long-term development. And yes, my daughters love them."

His older daughter was given Girl Talk when she was 10, he said, and she enjoyed it.

"Sadly, there is a market for these games," said Elizabeth Fox-Genovese, author of "Feminism Is Not the Story of My Life: How Today's Feminist Elite Has Lost Touch With the Real Concerns of Women" and founder of the women's studies program at Emory University.

"We do know that little girls like clothes, like to appeal to men, and they have a different take on all that kind of thing than young men do. I'm afraid the market is a good barometer."

"But I don't see why we assume this poisons them," she added. "It doesn't preclude them from doing well in school, or playing soccer, which they also do."



**HOME WITH A TREASURED TREE** — A man in Bucharest walking home Friday with a Christmas tree, which in Romania can cost \$20, about a week's wages.

"But all the crewmen frankly admitted and made an apology for their crimes and requested a competent organ to leniently forgive them," the agency said.

Forgiving the crew was "an expression of our warm feelings toward the South Korean people and a manifestation of our consistent peace stand for national reconciliation and peace of the country," according to the report, monitored in Tokyo.

It said the boat would not be handed back.

South Korea has repeatedly demanded the return of the trawler and crew, and the incident contributed to a deterioration of relations between Seoul and Pyongyang.

Pyongyang's failure to comply was seen as especially provocative after Seoul started shipping free rice to the North on humanitarian grounds following floods that ruined the grain crop.

The report said the cremated remains of two crew members shot and killed during the capture would be returned along with the remains of a third sailor who died of illness.

The surviving five crewmen would be sent home through via Pammunjom on Dec. 26 to allow them to spend the New Year with their families, it said.

Pammunjom is the only crossing point along the fortified Demilitarized Zone that has divided the Korean Peninsula since the 1950-53 Korean War. South Korean authorities have said the North could take advantage of political turmoil in the South to make mischief.

In the longer run, he said, French business will benefit from the interest-rate cuts that started two weeks ago and seem set to continue — if consumer confidence can be restored.

For the short run, the Juppé

## FRANCE: Labor Summit Fails to Resolve Issues

Continued from Page 1

team has offered a package of suggestions about boosting employment and increasing people's purchasing power. But most French leaders say bolder initiatives are needed to jolt the nation out of its mood of uncertainty and pervasive gloom.

The proposals, described as "a meager Christmas present" by Jean Gandois, the business participant, centered on channelling money into consumer spending, mainly by offering tax incentives to people who want to take their money out of savings plans, including money-market funds.

Most union leaders reacted negatively, with one saying that

the discussions were "surrealistic" because they were so remote from the doubts and fears voiced in France. Louis Vianet, head of the General Confederation of Labor, the Communist-led union that spearheaded the railroad strikes, said that public opinion would render "a very severe verdict."

He did not specifically threaten a resumption of strike action, but his union succeeded in paralyzing France's state-owned rail system, together with city subways, and making the government back off its plan to change railroad workers' pensions.

Continued from Page 1

corrected soon, we are likely to have serious problems."

This fall the National Assembly was warned that the brain drain could impede the country's economic development by wasting its education on foreign jobs or losing them to foreign companies. An official urged the government to invest more money in research as a way to keep scientists interested in working for universities.

Young people are discovering that a market economy means higher salaries in business, not academics. Applications for medical school, engineering and the sciences are down. Popular subjects today are foreign languages, especially English, and computers, business and economics.

"Vietnamese doctors cannot be really rich," said Pham Gia Khai, 59, a medical school teacher here. "You must go into business to be really rich. Young people today are different. They think only about money."

## VIETNAM: Meet Dr. Bricklayer

Continued from Page 1

One accomplice, Zhang Shaomin, was also sentenced to death, but with a two-year reprieve, the New Evening Post said. It said his sentence could be commuted to life imprisonment. Another accomplice, Zhou Hanlian, was sentenced to life imprisonment, the newspaper said. (AP)

**Cult Leader's Lawyer Questioned**

TOKYO — Prosecutors on Friday began questioning a lawyer who was fired by the jailed cult leader Shoko Asahara after a magazine published what it said was Mr. Asahara's explanation to investigators of the death of a follower.

Mr. Asahara, founder of the doomsday sect Aum Shinrikyo, is accused of masterminding the nerve-gas attack on the Tokyo subway system that killed 12 people and injured 5,500.

The magazine Gendai said Mr. Asahara told investigators that he had instructed his private doctor, Tomonari Nakagawa, to punish the follower for disobeying the sect's teachings, and that the follower had accidentally died. Mr. Asahara's reported statement contradicts that of Dr. Nakagawa, who has said he murdered the follower on Mr. Asahara's orders.

The lawyer, Shoji Yokoyama, admitted that he had given the magazine Mr. Asahara's account of the death. (AP)

## Family-Planning Switch in India

NEW DELHI — India will end a much-criticized family planning program that sets targets for birth control and will focus instead on voluntary schemes, a United Nations Population Fund official said Friday.

"The government of India plans to remove quotas and targets on a countrywide basis from April 1, 1996," the UN group's executive director, Nafis Sadik, said.

"The aim is to make birth control programs more responsive to women's needs. You get things done when people actually accept the concept," she said. (Reuters)

## CRASH: Amazing Andean Tale

Continued from Page 1

Miami-Cali flight, the Colombian Consulate said.

Four people were at Hospital Universitario in Cali, Dr. Reme Espinoza said, including Gonzalo and Michelle Dussan and Mauricio Reyes. The fourth was a woman, Mercedes Ramirez, of Blue Springs, Missouri. Rescuers also found a dog that had survived the crash.

Rescue workers used helicopters to reach the remote, forested crash site. Amid the grisly sight of pieces of flesh,

some so small as to be almost unrecognizable as human, they also found dolls belonging to young victims.

Investigators helping in the search held out little hope of finding anyone else alive. Among other evidence, they recovered the "black box" recorder of flight data.

By the time they reached the wreck, local farmers had pilfered the belongings of the dead.

"The peasants are taking stuff away in bags," said Juan Carlos Millan, an aide to the Cali prosecutor. (AP, NYT, Reuters)

**ROSOS: The Financier, in a Switch, Is Again Wagering His Money on Russia's Future**

Continued from Page 1

Chinese exchange cards and gifts at Christmas; the holiday provides a good excuse to give gifts. The toy department of stores on Beijing's fashionable Wangfujing street have been jammed with shoppers as the holiday approaches.

American marketers are trying to break into China, but it's slow going.

Only 2 percent of Qualidux products remain in China. Mr. Ting said he worked with a company called Good Baby that has a national distribution network of 3,000 outlets.

"Even they are having teething problems," Mr. Ting said, because of China's bureaucratic wholesale and transportation systems. In addition, Mr. Ting said, "Within China, they still feel that if the middle man makes money, maybe this is a crime."

"Soros on Soros," a collection of his observations on life, politics and philosophy.

"Entire companies have been ripped off and either expropriated or bought in the privatization process, and now we have come to the point where there is the ultimate plum and that is the state," he said. "So now there is the question of who is going to grab the state and that is the big political game that is going on in Russia."

The political battle in Russia has been generally portrayed as a struggle among rival parties and competing ideologies. But underlying the political power struggle, Mr. Soros sees a clash of economic interests between two major groups: energy and raw material producers and energy consumers.

The first group includes the gas and oil industry and its government supporters, including Prime Minister Viktor S. Chernomyrdin. Its resources can be readily sold abroad for world market prices, making it somewhat open to reform.

The consumers include the military-industrial complex and industrial enterprises. They are fearful of competition, long for state subsidies and want energy and resource prices set artificially low. And they are winning, Mr. Soros said.

Given all this, why then is Mr. Soros still keeping his hand in Russia? His foundation there spent \$25.8 million in 1994 printing textbooks, helping Russian journalists, helping li-

baries and carrying out other reforms. He has already spent more than \$100 million trying to help support former Soviet scientists.

Mr. Soros, an associate said, is fearful of what will happen if the West gives up on Russia.

And with its immense natural resources, educated pool of talent and often low-cost assets, Russia still retains enough of a lure for Mr. Soros that he is making a limited investment there despite the considerable political risks.

Currently, Mr. Soros explained, some key assets are undervalued. "It is all a question of timing," he said.

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# ART

INTERNATIONAL HERALD TRIBUNE  
SATURDAY-SUNDAY-MONDAY, DECEMBER 23-24-25, 1995  
PAGE 6

## Mysterious Faces From the Egyptian Desert

*International Herald Tribune*

**N**EW YORK — Their eyes taxify the viewer with their burning intensity. "The Mysterious Fayum Portraits," as Euphrus Diodadis calls them in her book just published by Harry N. Abrams, build up the most compelling pageant of faces from the ancient world.

Indeed, they are the only painted portraits that have come down to us from Antiquity, thanks to the dryness of the Egyptian desert.

Some are so extraordinary that it makes one wonder why it took so long for the art to be acknowledged as such in book form. When the first portraits in encaustic on panel turned up at the hands of the Viennese dealer Theodore Graf in 1887, they were found so surprising in their anticipation of West European painting 1,500 years later, that they were thought to be forgeries.

Then came the massive discovery of a cache of mummies made by Flinders Petrie in 1888 at Hawara with the portraits still in place at the top of sarcophagi enclosing mummies. The authenticity of the genre could no longer be held in doubt. Discoveries continued, scholars wrote articles, and collectors and museums pointed on what was up for grabs. But still the Fayum portraits remained outside Art History, spelled with capital letters. To this day, they are barely looked at other than as curiosities, and few are on view in the world's great museums where most, including some masterpieces, are under wraps.

The reason is partly to be sought in the enigmas that surround this art. The complexity of its development has yet to be convincingly charted. Above all, this is the art of a society that was wiped out — and although the fact is never publicly admitted, we make short shrift of the great works of vanished cultures unless they are exotic.

### SOUREN MELIKIAN

Only the faces and part of the neck are visible, framed by the thin strips of linen intricately woven so as to form a rhomboidal opening. The red flush on the man's cheeks, the dark gleam in the eyes, the thick lips pressed in an expression of muted resignation, make it a portrait as great as anything conceived by 17th-century Dutch artists. The woman's small oval face with high cheekbones is dainty and the look of anguish query in her eyes makes her seem more frail still. A Greek inscription identifies her as Hermione Grammatike, "the school teacher."

Were these father and daughter, killed in some catastrophe? The man was painted when his 30s at the most, but buried at an advanced age, as several X-ray examinations have revealed. The young woman died when she was about 25, with bones so small and so brittle that all the radiologists remarked on the fact.

Some portraits have a harsh directness that is unlike anything known from ancient art. One of the more astonishing discoveries made by Diodadis, a painter in her own right who chose these works with the intimate understanding of the practitioner, is the small portrait of a man with green eyes in the Manchester Museum. With its vigorous brush strokes, quickly applied, and the quiet bitterness that exudes from the face, it anticipates the realist school in mid-19th-century France.

An even more curious parallel is called for concerning the portrait of a woman painted on linen in crisscross strokes. These irresistibly call to mind the effect sought by 18th-century draftsmen working in black and red chalk heightened with white. Her serene, slightly imperious face, seems about to give a smile.

Combined with the short hairdo and the black curls framing the face, this gives the picture an uncanny resemblance to some late 18th-century or early 19th-century Neoclassical portraits.

The ultimate masterpiece is the likeness of a woman in the British Museum that Diodadis says, when commenting on "the breathtaking colors and sensuous impasto," is worthy of the great Venetians. The merest flicker of a smile hovers over her lips and gentle yet penetrating eyes. They give the feeling that it is impossible to fathom them to their full depth. If there is such a thing as a Fayum Leonardo, this is it.

Who were these people? Diodadis calls them Greeks and assumes that these paintings, some of which are so accomplished in the accurate rendering of the human face, incorporate the legacy of the famed school of Alexandria. Undoubtedly, there is some formal resemblance between the more polished Fayum characters and a famous double portrait, probably the work of a Greek artist, that survived on the wall of a villa in Pompeii.

What escapes us is what these pictures really meant to those who did them, or those who looked at them. If Greek, the characters who sat to be portrayed had thoroughly succumbed to the Egyptian creeds. The likeness of a man identified by a verse inscription in Greek capitals, "Farewell Artemidorus," at the top of a wooden casing is associated with scenes carved on the sarcophagus which look like low reliefs taken down from the walls of an ancient Egyptian shrine.

How the idea of inserting the likenesses of the deceased into the sarcophagi came about remains unknown. No reference to these Fayum portraits has turned up in Greek literature. It is clear that some of the great portraits were done directly from life.

They were probably hung in houses at first — Petrie actually found a portrait, damaged but recognizable as such, still in its wooden frame.

Some sarcophagi show signs of gradual wear. This persuaded Petrie that they had been exposed to the atmosphere of daily life in residential quarters for decades before being dispatched to their final resting place, once those to whom the dead were dear had themselves passed away. Only thus could Petrie account for the very rough burial of some of the mummies he discovered.

A **U**nresolved mystery is how Fayum funerary painting gave rise to early Coptic icons. The transition to Christianity was slow. Multiple forms of syncretism, in concept as in rites, made it possible.

In the first half of the fourth century, Saint Anastasius condemned those who embalmed the bodies of patriarchs and prophets, which had survived to his day, "not burying them in the earth, but placing them on low beds and keeping them indoors near themselves."

Symbols were equally ambivalent. The vine associated with Jesus was also the symbol of Dionysus who, to Egyptians, was Osiris in hellenized garb. Through trial and error, the iconography of Christian Egypt was emerging. It was a long and tortuous process of metamorphosis to which the prelude was the art of the Fayum, now revealed in its full splendor thanks to the year's most novel book, enhanced by outstanding color plates.



Fayum portrait of a young man in Manchester Museum.



Robert Freeman's images of the early Beatles include this shot of John Lennon.

## Beatles, Live From Hamburg

By Douglas Sutton

**H**AMBURG — This city prides itself on having given the lads from Liverpool a venue long before London ever did. It seems a fitting place for the beginning of a traveling exhibition of early Beatles photographs.

"The Beatles: A Private View," at the Deichtorhallen museum, features 110 photographs by Robert Freeman of the 1963-66 years. (The photographs were published by Freeman in a book by the same title in 1990).

Freeman recounts how, in August 1963, the Beatles were so taken by a picture he had made of John Coltrane that they let him into their inner circle. What was to have been a one-day photo session stretched to several days, and it was a Freeman picture that graced the "With the Beatles" album in November 1963.

During the next three years, Freeman was a first-hand witness to the Beatles story. He accompanied the group on its tours, including the now legendary U.S. trip in February 1964. He saw them get married and he watched the making of the movies "A Hard Day's Night" and "Help!" He also witnessed the first rivalries and arguments involving the four and some of their spouses. Freeman's ride on the

Beatles' magical tour ended in 1966 in a dispute with EMI over his design ideas for the cover of the "Revolver" album.

His pictures document the Beatles' development from their pre-psychadelic scrubbed-schoolboy look — white shirts, suits and ties, carefully coiffed mops of hair — to a less wholesome look by the time they were recording "Revolver." By then, the hair was longer and scruffier, Lennon was starting to wear shades in the studio, a toughness can be seen creeping around the edges of McCartney's eyes, and a cigarette is jutting from Ringo's clenched teeth as he slaps a tambourine.

In what could have been anybody's wed-

ding album picture circa 1965, Ringo and his first bride Maureen and both sets of parents in their Sunday best are smiling straight at the camera. There's a closeup of a Western Union telegram dated Feb. 6, 1964, which congratulates the four on their first appearance on the Ed Sullivan show and is signed "Elvis and the Colonel."

There's still life of four sets of boots that the Beatles wore in 1963, and a recording session picture with Mick Jagger.

The exhibition runs through Jan. 7, then goes on to New York, Los Angeles and Tokyo.

Douglas Sutton is an American journalist based in Hamburg.

By Michael Kimmelman  
*New York Times Service*

**L**ONDON — It is past midnight, and Lucian Freud is walking through London's National Gallery, his steps reverberating in the vast, empty rooms. Having the museum to himself is a privilege that comes from being England's most prominent artist, a painter who has created some of the most potent and unflinching images of the human body in the late 20th century.

Add to this distinction his near obsession with privacy, and a schedule in which he paints each day until late into the evening. And here he is in the gallery in the middle of the night, with all the lights on and the run of the place.

He has been visiting it almost since he moved to England from Berlin as a boy in 1933. "I come for ideas and help — to look at situations within paintings, rather than paintings."

He turned 73 this month and looks remarkably fit. Freud spends most of his time in the tumbling-down attics rooms of his studio. He is so scrupulous about guarding his privacy that not even close friends have his phone number.

He rarely leaves London; his two-day trip to New York to see his retrospective at the Metropolitan Museum in 1993 was his only visit to the city since 1953. He lived on and off in Paris during the early 1950s but hasn't been back for 18 years.

Yet he is hardly a recluse. He is sociable, a regular at nightclubs, a raconteur, wry and highly amusing, blunt in his opinions, allergic to small talk, kind, even courtly in manner when he chooses to be. But he wants not to be interrupted, or to waste time while he is working, which

he almost always is. So he has granted almost no interviews.

The chance to talk about pictures in the National Gallery is something else, however. Freud settles first in front of the 18th-century English artist William Hogarth's series of paintings on the theme of marriage. By way of comparison, he admires another Hogarth, "The Shrimp Girl," a sketch from life as spontaneous and fresh as the marriage series is studied. He has mixed views of the series.

"It's lively, marvelous, informative, poignant, and I nearly put one of these paintings in my 'Artist's Eye' show," he says, referring to his 1986 National Gallery exhibition of some of his favorite works, including a Rubens, a Chardin, a Constable and a Seurat. "But I came to feel that the subject matter was dominant. What I mean is that with the best things, Rembrandt and Cézanne, every inch of painting counts, so that if you take away a bit of a corner, let's say, the picture doesn't work any longer. Whereas here, the Hogarth depends on the story."

Freud's own paintings aren't narrative, precisely. They have to do with the plasticity of pigment simulating flesh. And they are about an elusive psychological inwardness, a sense of the otherness of objects and people, scrutinized like specimens under a hard, enveloping light.

Freud's paintings of figures are tough, impacted, unforgiving. He likes to talk about the truth of what he depicts, by which he means the truth of the human transaction between him and his models.

The Hogarts lead him to point out Chardin's "Young Schoolmistress." "The feeling is true," he says. "Generally, when we talk about feeling we mean deep feeling. This isn't deep, but it is true. For me, it's also an erotic painting, maybe because it's so intimate. I prefer it to Vermeer, and I mention Vermeer because the people in Vermeer aren't humans. I don't mean they're subhuman, but they are objects governed by light. They're there for the picture. It's not a lack in Vermeer, precisely, but it is one of the

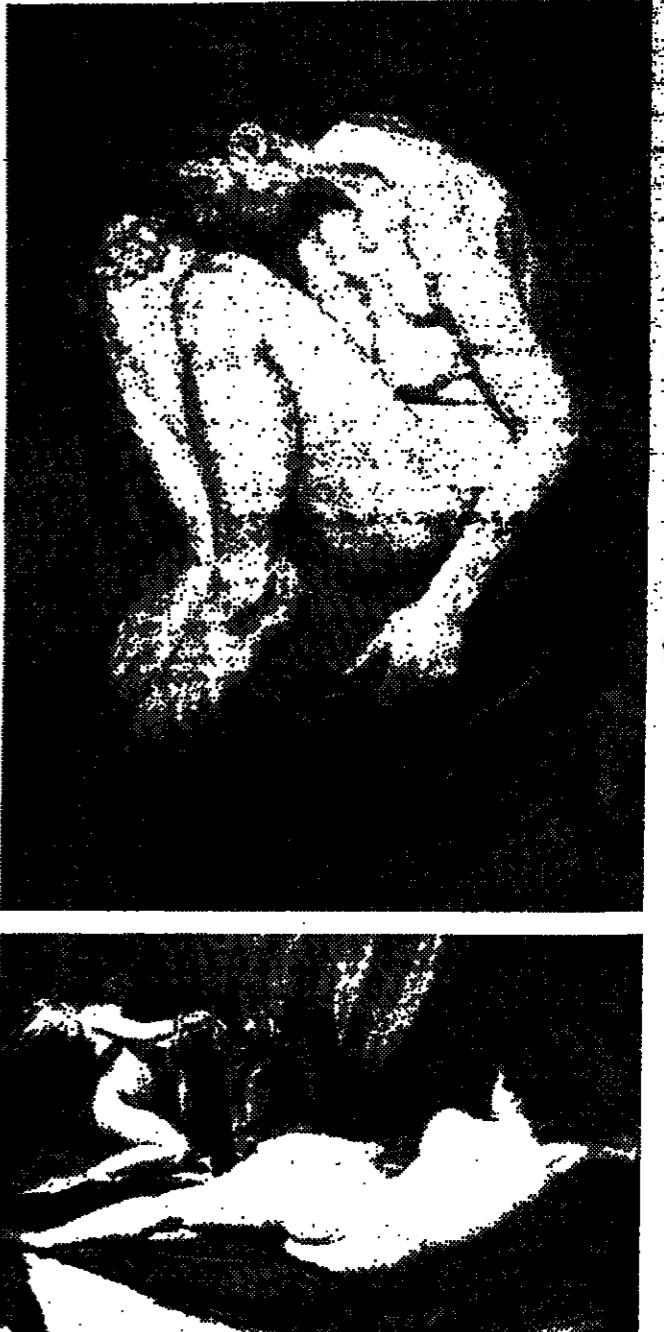
strange things about him, this way of treating humans."

He continues about the Chardin: "The work is too convincing to wonder how it was painted. I've looked at it very often, but I'd never really noticed this shadow before." Freud points to the one cast by the schoolmistress's elbow. "Now I realize Chardin must have used burnt umber. But I had never, ever thought about this, because it's in the nature of his work that you don't question it. Even as a painter, I'm not technically aware of what he is doing, any more than you notice the vocal timbre of someone who is telling you something that is very important." Freud has made a similar point before, about Velázquez. He has quoted Ortega y Gasset's remark that Velázquez's "Meninas" "isn't art; it is life perpetuated."

**H**E settles next at the "Rokeby Venus," a few rooms away. He looks at it for a while, then says, "I hate angels, but the fact that these are chickens' wings tied on makes it fine by me." He gestures at the puny wings on the angel holding the mirror up to the reclining Venus.

"One of the many things fascinating about the picture is the ugliness of the woman's right arm yet how beautiful it is," Freud says. "It's completely wrong, it bypasses reason, yet it works as art. I think when you are painting, there are decisions you make, and remake, and amend. And you can see that this arm was once something else, but this was now it evolved, which is perfect. The head in the mirror is twice as big as it should be, and she couldn't possibly see herself in it from that angle. But all these things are completely beside the point."

Freud's own images of naked figures re-create the indomitable lumpiness of human flesh. Erotic they generally are not. Velázquez's somber sense of drama and his luxuriant paint have clearly affected Freud. But the eroticism of a work like the "Rokeby Venus" is another matter. "I'm more disposed to find people in ordinary sit-



Freud's "Naked Girl Perched on a Chair" (1994) and Velázquez's "Toilet of Venus (The Rokeby Venus)." (Courtesy Acquavella Galleries)

uation erotic, like a nurse or a teacher, rather than a beautiful naked woman lying there." Freud explains, "because I think of people as animals."

"Maybe the erotic element I find in the Chardin has to do with

the sweetness of her nature and the way it makes one feel joyous. On the other hand, I think an erotic element is in nearly all great art. I see it in Constable, certainly. It's to do with love, not sex."

### BOOKS

#### THE STRANGE DEATH OF THE SOVIET EMPIRE

By David Pryce-Jones. 456 pages. \$30.  
*Henry Holt/Metropolitan*.

Reviewed by Gary Lee

**E**XCELLENT media coverage of the collapse of communism throughout Eastern Europe has nonetheless left a lot of gaps in our sense of how the people at the center of that tumult saw and interpreted it. David Pryce-Jones goes a long way toward filling those gaps. His "The Strange Death of the Soviet Empire" is an oral history of characters who forged and characters who fought the dramatic events in Moscow and other capitals of the former Soviet republics and bloc countries during the late 1980s and early '90s.

Anatoli Lukyanov, an erstwhile ally of Mikhail Gorbachev, appears here, recounting how he and other cronies of the former Soviet leader were gradually pulled into the 1991 coup attempt against him. Peter Roman, catapulted to prime minister in post-Ceausescu Romania, is also featured, describing how the dictator's allies plotted to have him executed and then carefully maneuvered to cling to the power structures he

created. Egon Krenz, the last party boss in East Germany, is here too, talking of how he tried to forge a compromise that would retain control of communism but watched events quickly overtake his efforts. Pryce-Jones gives voice to dozens of witnesses to the fall of communism, including not only the main players but also such side characters as Ivars Kreizbergs, a former media official in the Republic of Latvia, who recounts his perspective on how the Soviets lost their grip on the Baltic countries.

Unfortunately, the book lacks interviews with some key figures, such as the longtime East German leader Erich Honecker and Gorbachev himself. Although their accounts would have helped fill in some pieces of the puzzle, their absence does not detract from the value of "Strange Death" for students of the Soviet bloc.

Although few remarkable new facts emerge in them, the oral histories give a human face to one of the most remarkable power shifts in European history. They also broaden our understanding of how that shift came about. If interviewees such as

Pryce-Jones's approach is not without flaws. In providing rambling and sometimes contradictory accounts, he does little for the reader who is looking for a definitive history or a comprehensive analysis of the fall of communism. And his constant switching back and forth from his accounts and views to those of others is sometimes confusing.

But an autopsy should not be expected to be neat and smooth. Gaining accurate knowledge and understanding of the demise of the Soviet bloc requires a mix of many perspectives. Pryce-Jones's book is an important part of that mix.

Gary Lee is on the staff of The Washington Post and a former chief of the Post's Moscow bureau.

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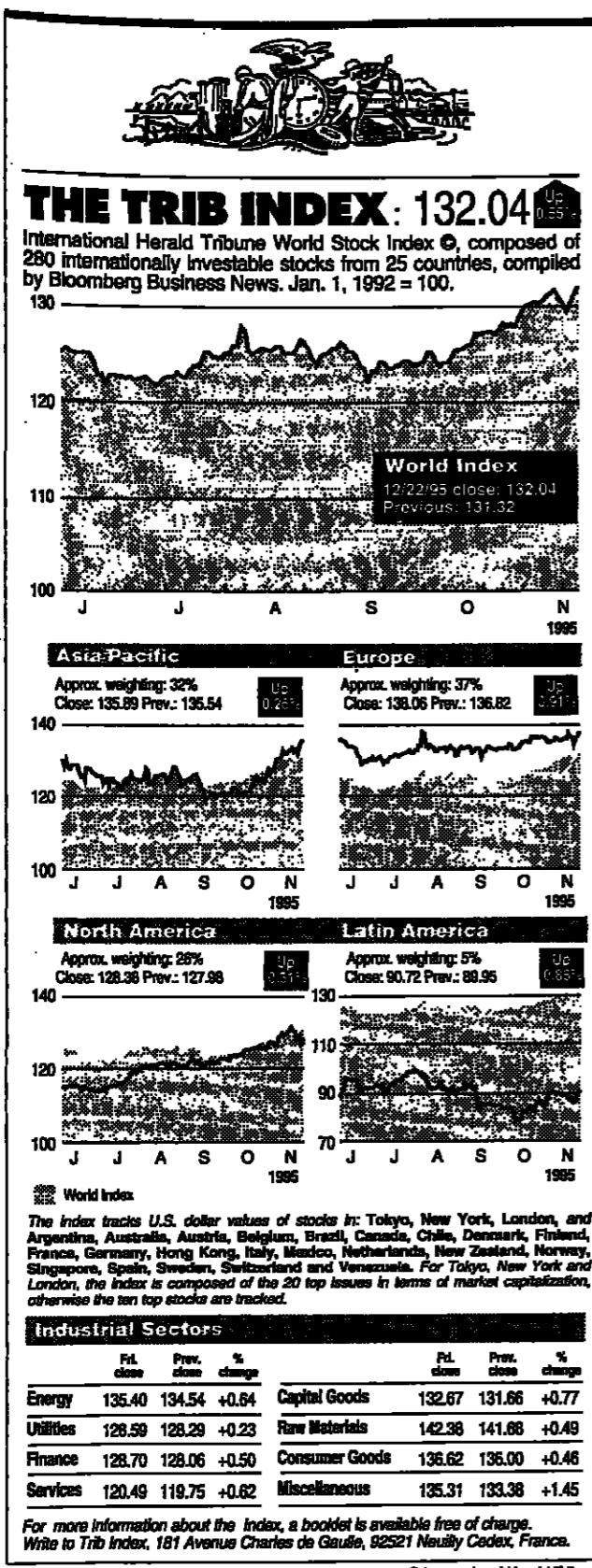
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**Herald Tribune**  
**BUSINESS / FINANCE**

SATURDAY-SUNDAY-MONDAY, DECEMBER 23-24-25, 1995

PAGE



The Index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Amsterdam, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Hong Kong, Italy, Mexico, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and Venezuela. For Tokyo, New York and London, the Index is composed of the top 20 issues in terms of market capitalization, otherwise the top 10 stocks are tracked.

Industrial Sectors							
	Pr. close	Prev. close	% change	Pr. close	Prev. close		
Energy	135.60	134.54	+0.84	Capital Goods	132.67	131.66	+0.77
Utilities	128.59	128.29	+0.23	Rare Materials	142.38	141.68	+0.49
Finance	128.70	128.06	+0.50	Consumer Goods	136.62	136.00	+0.46
Services	120.49	119.76	+0.62	Miscellaneous	135.31	133.38	+1.45

For more information about the Index, a booklet is available free of charge. Write to Trib Index, 181 Avenue Charles de Gaulle, 92251 Neuilly Cedex, France. © International Herald Tribune

## France Targets Bouygues Investigation Focuses on Funds

Agence France-Presse

LYON — The chairman of Bouygues SA, the world's biggest construction company, was placed under investigation here on Friday for allegedly paying cash into a political slush fund.

The investigating judge, Philippe Courroye, placed Martin Bouygues under investigation along with Pierre Botton, a Lyon executive who has been convicted of influence peddling and fraud.

Mr. Bouygues was freed on bail of 500,000 francs (\$101,215) and on condition he does not contact Mr. Botton.

Both were called in for questioning Friday by Mr. Courroye. Mr. Bouygues was charged with abusing corporate assets and Mr. Botton with receiving them.

Mr. Botton said the money was used for the political campaigns of his father-in-law, Michel Noir, a former mayor of Lyon and former foreign trade minister. Mr. Botton's lawyer, Frédérique Pons, said his client was freed on bail of 1 million francs.

Mr. Courroye is investigating alleged cash payments of 2 million francs from Dumez Nigeria, a subsidiary of Bouygues, to a Swiss bank account held by Mr. Botton, and companies from other French companies.

Mr. Bouygues won a 6 billion franc contract for the Lyon ringroad when Mr. Noir was mayor. Mr. Noir has denied receiving any money from Mr. Botton via his Swiss accounts.

Martin Bouygues was held for 36 hours near Paris this week before being released Wednesday evening. Mr. Botton was arrested Wednesday.

## A Market Vote for Juppé

By Max Berley  
*Special to the Herald Tribune*

PARIS — Financial markets applauded on Friday after Prime Minister Alain Juppé held firm to his program of French deficit reduction at a summit with labor leaders and employers, which followed some of the most severe labor unrest in 30 years.

"The summit was rather well received by the markets insofar as Mr. Juppé did not make any major concessions," said Nathalie Fillet, a bond market analyst at Banque Paribas in Paris.

Share prices gained on the news that France would continue with an ambitious program to reform its welfare program — reforms that brought France to a virtual standstill as many of the country's public sector workers walked off their jobs in protest for three and a half weeks. The CAC-40 index of French shares rose 2.13 percent to 1,873.37.

Although only the prime minister himself expressed satisfaction with the talks and labor leaders raised the prospect of further unrest when the meeting ended early Friday afternoon, economists and financial analysts said the deadlock was a better outcome than any sign of weakening on the part of the government part would have been.

They said the markets were cheered that Mr. Juppé had neither given in on reducing the workweek nor withdrawn his social security reform plan, as the unions had requested.

Mr. Juppé got a further boost Friday when French commercial banks lowered their base lending rates by 0.3 percentage point, to 7.50 percent.

Many economists, however, were skeptical about the plans Mr. Juppé unveiled Thursday to reduce France's 11.5 percent unemploy-

ment rate by finding jobs for 250,000 young people within the next year. They were also dismissive of a series of tax incentives intended to incite the French to dip into their savings and increase economic growth by spending more on consumer goods in the first half of 1996.

According to the national statistics agency, INSEE, France's growth will slip below 1 percent in the first half of 1996 as buying power falls 0.6 percent and consumer spending remains flat, a scenario that could drive unemployment as high as 12.3 percent.

These predictions come as economists warn that the French economy could show negative growth in the fourth quarter of 1995 as a result of the strikes, which, according to the employers' federation CNPF, cost the French economy as much as 20 billion francs (\$4.06 billion), almost triple the 6.4-billion-francs a year in credit cooperatives said they had cost.

According to economists, the measures unveiled Thursday by Mr. Juppé, which include allowing companies to dip into capital reserves and allowing consumers to withdraw cash from savings plans, are not likely to cause the cautious French to go out and spend their savings on consumer goods.

The personal savings rate in France is 14 percent, the highest in Europe. But economists warn that the deadlock with the unions, the prospect of further social unrest and the certainty of higher unemployment next year will do little to inspire the confidence needed to make the French dip into their savings and go out to buy more houses, cars or appliances.

"The measures are a non-event," said Valérie Asselot, an economist at Crédit Lyonnais. "The confidence of households depends on the viability of the solutions that are brought to the social turmoil."

## Tokyo Plan Urges Objective Remedy For Credit System

By Sandra Sugawara  
*Washington Post Service*

TOKYO — A government panel on Friday set forth proposals to stabilize the ailing Japanese financial system, calling a Resolution and Collection Bank to take over failed credit cooperatives and liquidate their assets. Finance Ministry officials, at a news conference on Friday, described the Resolution Bank as a Japanese version of the Resolution Trust Corp., designed to handle failed U.S. savings and loans.

A special fund would be established at the Deposit Insurance Corp. for the next five years and premiums paid by financial institutions would increase about sevenfold. Sei Nakai, deputy director general of the Finance Ministry's banking bureau, said that public funds would be used to assist failing credit cooperatives if the special deposit insurance fund ran out of money in five years. He said public funds would not be used to assist banks, because the deposit insurance fund and banking services should be sufficient to handle losses.

Mr. Nakai also singled out another group, agricultural cooperatives, as "the most fragile part of our financial system. But he did not outline a specific program for dealing with the cooperatives, which fall under the jurisdiction of a different ministry. The Finance Ministry has been under fire for proposals this week that the agricultural cooperatives give up only a fraction of their bad loans, so that taxpayers make up \$6 billion of the losses. But Mr. Nakai said that forcing big contributions could have triggered bankruptcies because agricultural cooperatives were in such bad shape.

## Alcatel Will Sell Fiat Stake

Compiled by Our Staff From Dispatches

PARIS — Alcatel Alsthom said Friday it planned to sell its 2 percent stake Fiat SpA next year, ending a relationship that was once hailed as "an example for Europe."

A spokesman for Alcatel said the company's new chairman, Serge Tchuruk, had ended a deal with holding companies run by the Agnelli family, which controls Fiat, and was free to sell its Fiat shares next year.

The holding companies, Istituto Finanziario Internazionale and IFIL, said they were ready to buy Alcatel's stake. The Alcatel spokesman said the company had not yet decided when or to whom to sell the shares. He would not speculate

on the value of the stake.

Alcatel's former chairman, Pierre Sudre, concluded the Fiat deal in October 1990, after earlier deals with ITT Industries Inc. of the United States and General Electric Co. of Britain, as part of his drive to turn the French company into a world leader.

Mr. Tchuruk, appointed in July, plans to sell 10 billion French francs (\$2.02 billion) in assets over the next two years as part of a drastic overhaul of the ailing company.

The French newspaper Les Echos hailed the Fiat deal at the time as an example of European cooperation to confront competition from U.S. and Japanese companies. (Reuters, Bloomberg)

## ECONOMIC SCENE

### Algeria Gets an Energy Lift

By Youssef M. Ibrahim  
*New York Times Service*

PARIS — Algeria is on the verge of concluding several major energy deals for the development of some of its enormous oil-and-gas reserves. The agreements will bring a huge injection of capital to the country and are being characterized as a turning point in the West's confidence in Algeria's government.

British Petroleum Co. has made a commitment to spend \$3.5 billion in Algeria over the next quarter-century, the largest investment by foreign concern since Algeria won its independence from France 33 years ago.

French and American energy companies are to follow with at least \$3 billion of investments to extract and export gas and oil to Europe and the United States.

"By almost any measure these deals are a strategic breakthrough," said Pierre Terzian, editor of Petrostrategies, an energy newsletter based in Paris. "They mean big business thinks the worst is over for Algeria. You don't spend an average of \$330 million a year for the next seven years in a country where you think the government is about to fall."

Although negotiations have been going on for some time, completion of these deals is almost certainly tied to the triumph of President Liamine Zeroual in the election Nov. 16.

Mr. Zeroual won a new five-year term with 61 percent of the vote as well as a legitimacy he lacked in his previous term, which he had secured with the help of the military.

A former army general, Mr. Zeroual has promised further moves toward democracy.

But he also vowed during his campaign to crack down harder on a militant Muslim rebellion that has fueled a three-year civil conflict resulting in at least 30,000 deaths.

The British Petroleum accord, due to be signed Saturday, involves exploration for and production of natural gas from huge reserves in the central Sahara region, according to officials of Sonatrach, the Algerian state energy company, and BP. The undertaking is expected to last 25 to 30 years and is expected to double and eventually triple gas exports to the Continent.

Nazim Zoulliouche, general manager of Sonatrach, said the agreement would open the way to decades of development of Algeria's reserves.

In addition, Atlantic Richfield Co. of the United States is planning to help expand production at oil fields in southeastern Algeria.

These ventures will bring to Algeria hundreds more expatriate oil workers to join an estimated 5,000 foreign oil and gas technicians already in the country, a commitment suggesting the companies appear satisfied that the government can protect foreign citizens despite two years of repeated threats, and some attacks, against foreigners by Muslim militants.

Islamic opponents of the government were poised to win elections in January 1992 when the government abruptly the second round of elections in which the Islamic Salvation Front was leading and outlawed the party. Since then, the number of violent Islamic factions has multiplied, and many have carried out campaigns of terrorism and killing.

But more recently, they appear to have lost support and been weakened by a government crackdown and by disputes among themselves.

### Tietmeyer Stands Firm On ERM

Reuters

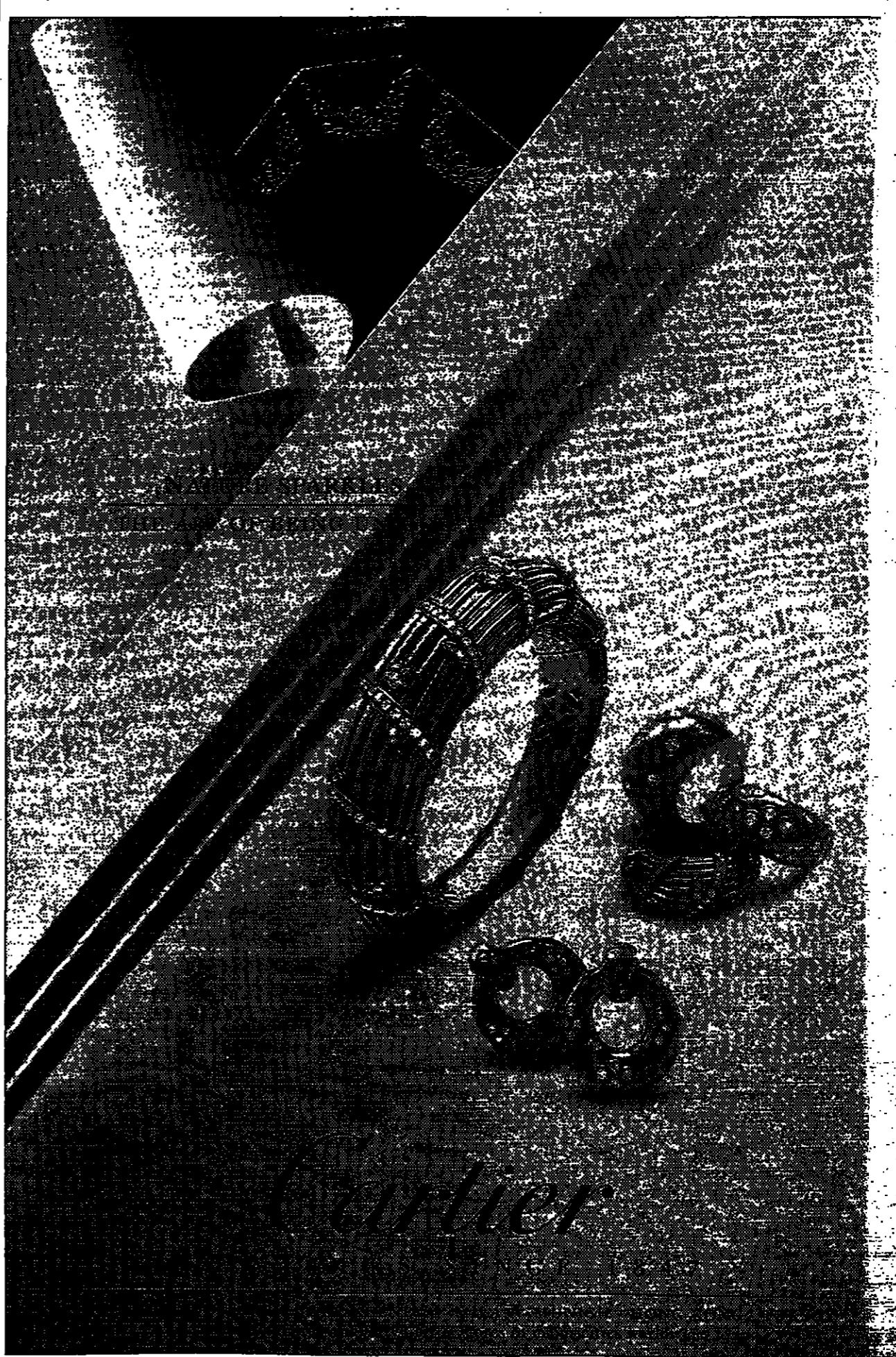
FRANKFURT — Hans Tietmeyer, the president of the Bundesbank, said Friday that only countries that tie their currencies to the exchange-rate mechanism for two years would be eligible to join the European currency union.

The comment came just days after Prime Minister John Major of Britain said that such a requirement was no longer mandatory and the European Commission called the question open.

Britain, like fellow EU members Sweden, Italy and Finland, does not belong to the exchange-rate mechanism of the European Monetary System. If ERM membership is critical, they would need to join early next year to meet the two-year time requirement.

Mr. Tietmeyer told the daily Süddeutsche Zeitung that countries must be European Monetary System members to be able to join in the single-currency, which is scheduled to begin in 1999 and that the treaty was clear on this point.

Germany has led a campaign to ensure strict adherence to the criteria set for single-currency membership in the Maastricht treaty.



## CURRENCY & INTEREST RATES

Cross Rates		Dec. 22									
		U.S.	D.M.	F.F.	£	DM	Yen	Fr.	S.	DM	
Australia	1.02	1.377	1.377	1.377	1.377	1.377	1.377	1.377	1.377	1.377	
Bahrain	2.446	6.075	6.075	5.972	1.6457	1.6455	1.6455	1.6455	1.6455	1.6455	
President	1.440	2.242	2.242	2.242	2.242	2.242	2.242	2.242	2.242	2.242	
London (c)	—	2.242	2.242	2.242	2.242	2.242	2.242	2.242	2.242	2.242	
Madrid	0.715	18.275	18.275	18.275	18.275	18.275	18.275	18.275	18.275	18.275	
Algeria	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
New York (b)	1.246	7.429	7.429	7.429	7.429	7.429	7.429	7.429	7.429	7.429	
Paris	4.95	7.429	7.429	7.429	7.429	7.429	7.429	7.429	7.429	7.429	
Tokyo	1.204	157.39	157.39	157.39	157.39	157.39	157.39	157.39	157.39	157.39	
Toronto	1.085	1.085	1.085	1.085	1.085	1.085	1.085	1.085	1.085	1.085	
Zurich	1.024	1.024	1.024								



# Seoul Firm Buys Into North Sea Energy Supply

Compiled by Our Staff From Dispatches

**LONDON** — The British subsidiary of Texaco Inc. said Friday it agreed to sell a stake in a North Sea oil-and-gas development to South Korea, ensuring a steady supply of fuel for that country's burgeoning manufacturing industry.

Texaco Ltd. said the state-owned South Korean Petroleum Development Corp., known as PEDCO, would pay \$210 million for a 15 percent stake in the North Sea Captain project, which will enable Korea to develop a fuel reserve. The country

does not have proven oil or gas reserves of its own.

"It's a good deal for us and it gives PEDCO a foothold in the upstream sector," said Mark Crompton, a spokesman for Texaco in London. "The Koreans are very keen to build business with us, and we see this as the start of a longer-term relationship."

The \$1.4 billion Captain field is due to start production in the fourth quarter of 1996, with initial output of 60,000 barrels of oil per day. Texaco said there were recoverable reserves at the site of at least 300 million barrels. The platform is currently under construction in Scotland.

South Korea experienced oil supply difficulties in the Gulf War in 1991, when exports from the Gulf states stopped. Having an equity share in a project will give Korea a supply independent of the world market.

Korea imported 1.67 million barrels of oil a day in October,

the latest month for which statistics are available, with the bulk coming from Saudi Arabia.

Through the end of October, Korea's oil consumption was 6.17 percent above the year-ago period.

Mr. Crompton said the deal provides a foothold in Asia.

In addition to acquiring an investment partner with this alternative, Texaco gains an important business relationship with PEDCO, "one that will provide access" to market opportunities in the Far East and in other potential project developments, said York LeCayge, managing director of Texaco Ltd.

This agreement still must be approved by both company boards and the British government. But Mr. Crompton said he did not foresee any problems with gaining approval.

It's just a rubber-stamp, re-

liefed Mr. Crompton.

Before the sale of the stake to Korea, Texaco had been the sole owner of the Captain field, a rare occurrence in major oil and gas projects. Companies usually rely on equity partners to spread the risk and cost of development. (Bloomberg, Knight-Ridder, Reuters)

## Volvo Prepares For Major Decline In U.S. Truck Sales

Compiled by Our Staff From Dispatches

**STOCKHOLM** — Volvo AB said Friday it expected a drop of more than 30 percent in the U.S. truck market in 1995, and said it would reduce its production there by 26 percent, to 20,000 units.

To prepare for the slowdown, it will also cut 300 jobs at its plants in Ohio and Virginia beginning in 1996. "1995 was a record year, with a market at 220,000 trucks in the U.S.," said Stefan Larssonsson, a spokesman for Volvo Trucks. "Order intake now is signaling that 1996 will be tough."

Volvo expects the entire U.S. truck market to fall to 150,000 units next year.

Mr. Larssonsson said the United States is usually the first market to weaken in an economic downturn followed by Britain and the rest of Europe. He said there were still no signs that the European truck market was weakening.

Separately, Mercedes-Benz AG said it had record worldwide car deliveries in November because of its new E-Class model. The company said it sold 55,700 cars last month, up from 50,400 a year earlier. Of these, 25,000 were its midrange E-Class model, up 39 percent from November 1994. (Bloomberg, Knight-Ridder, Reuters)

# Prodi: Cut From the Left

## Italian Candidate Talks Conservative

By James Hansen  
Special to the Herald Tribune

**MILAN** — It will take Italy five years to dig itself out of the credibility hole it has dug for itself with foreign investors, says Romano Prodi, one of Italy's best-known economists and now a candidate for prime minister.

Mr. Prodi is also a former chairman of IRI, the state holding company that controls activities amounting to about 5 percent of Italy's gross domestic product.

"Italian financial markets are suffering a crisis of credibility largely caused by political instability," Mr. Prodi said. "Our economic problems could be solved in five years, but with continuously provisional governments, nothing can be done."

Describing the recent Italian budget as "only a very short step toward Maastricht," Mr. Prodi said of the Treaty on European Union and its blueprint for economic and monetary union starting in 1999. "How can you expect a government operating with a one-year time horizon to work seriously in that direction?"

Mr. Prodi has emerged as the likely candidate for prime minister of Italy's center-left coalition, to run against the center-right forces led by former Prime Minister Silvio Berlusconi in elections likely to take place in the spring.

In the vagaries of Italian politics, it is currently Mr. Prodi and his supporters, rather than the right, who are backing efforts to get Italy's stalled privatization program moving again.

Describing the recent placement of a minority stake in Ente Nazionale Idrocarburi, the state energy company, as "less than a success," Mr. Prodi said: "Italian investors act intelligently. The ingredients — transparency, guarantees — just weren't there. No one knows if the company will ever be truly privatized." ENI shares fell 4 percent in their first three days of trading.

"Investors are not sufficiently protected here," Mr. Prodi said, adding that Consob, the market regulatory authority, "takes every case

of a takeover as a shock and gets a collective stomach ache."

Mr. Prodi also criticized the use on the Milan market of so-called Chinese-box holding companies, which allow top executives to parlay relatively modest personal investments into control of large enterprises.

"Chinese boxes on the Italian pattern are no longer tolerated anywhere else," Mr. Prodi said. "We have to say to these people, 'Gentlemen, the game is over.'" Mr. Prodi said the practice could be abolished over two or three years by limiting the ability of such companies to participate in capital increases, in effect diluting their holdings to insignificant levels.

Mr. Prodi's political base, much of which depends on the support of the Democratic Party of the Left, the former Italian Communist Party, would seem to place him in an odd position to defend investors in the capital markets.

But Mr. Prodi, who was an adviser to Goldman, Sachs & Co. before entering politics, said he believed only a government that included the left could take the steps necessary for a thorough overhaul of public spending and of government's management of the economy.

"We need a center-left government to institute reform because biting these particular bullets will require strong social cohesion," Mr. Prodi said. He cited France, where a three-week strike proposed spending cuts snarled transportation and other services this month, as an example of how not to introduce change.

"They're doing interesting things in France," he said, "but they've failed to give the impression of doing them equitably." The conservative French government this week named an avowed socialist, Louk Le Floch-Prigent, to run its indebted railroad; he is seen as having a good chance of negotiating with unions.

In response to accusations that he is too gentle to take the steps needed to get the economy moving, Mr. Prodi said: "I left IRI with 100,000 fewer employees than it had when I got there."

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NYSE

**Friday's 4 p.m. Close**  
nationwide prices, not reflecting late trades elsewhere  
*The Associated Press.*

12 Month Low Stock

Div

Continued on Page 12



## Les Bijoux

**CHOPARD BOUTIQUES : GENEVE • LONDON • PARIS • ROMA • WIEN • NEW YORK • DUBAI**

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For Blu

**T**HE big Dow Jones market index has had this year. The annual average is enough the record-breaking November, 1966, at 1,176.73, up 25 percent. The Dow has had a bad year, inflation, declining and a crowd of unprofitable Washington politicians, technology stocks and declines in solid favorites like Coca Cola Co., Merck & Co. and Procter & Gamble Co.

So after such an eventful year over for the family, say the pros, be prepared for a repeat performance. A look back at the companies that specialize in products that have surged as much as 20 percent in the previous two to three years, with some margin, the Dow could go to 1,300, where should a buy holding now?

**Fact an-**

**W**ITH soars shares driv- mance of n funds, fund managers may be watching all companies take the mid-capitalization territo- ries' share prices for the capitalizations that own suc- Take, for example, i Global Small Cc ader's manager, Gerald edd's manager, Gerald capi- an \$1 billion. Recently, an Si billion. Recently, an 0 million. But though Mr. Mora's portfolio of his f- technology sector, his f- tony holding, the Ger- me producer SAP AG, is therefore, also in ca- d, "it was small when ely, we've been trimm- l. Moran said. "The re- lock tends to come w- it's always the r? ck out of its capital." In there's always the r? in there's always the r? with it, the averages of small-stock funds, esors consider "mid- ton to \$1 billion),"

## brief to Tighten Control at PAL

### n Will Take 51% Stake

Compiled by Our Staff From Dispatches

**NILA** — After nearly years of boardroom battles over who should run country's flag carrier, Philippine Airlines shareholders Friday to allow Lulin, its chairman, to tighten control.

officials of the governmental institutions that own a 51 percent stake in the airline after a three-hour meeting had agreed not to submit to a planned 5 billion (\$190.9 million) doubling carrier's share capital.

Antonio. Ocampo, the airline's corporate secretary and an associate of Mr. Tan, said the chairman was acting to ease the carrier's financial problems.

"The company really needs the capital," he said. "If we don't move now, the company continues to go down."

Philippine Airlines posted a loss of 905.5 million pesos for the six months ended Sept. 30.

It had a loss of 1.7 billion pesos in the year ended March 31, widened from 451.1 million pesos the year before. Executives have said the carrier's hopes for a turnaround depend on acquiring new planes to make it more competitive.

Mr. Tan, who was an associate of former President Ferdinand Marcos, became the airline's chief in March 1993. Although state-owned companies hold a larger combined stake, Mr. Tan has control of his share block, while the other holdings are fragmented.

Other owners of PR Holdings include Philippine National Bank, Development Bank of the Philippines and a military pension fund, with a total of 20 percent, and private shareholders including the Ayala family's Bank of the Philippines Islands. (Reuters, Bloomberg)

ject to approval by the boards of the government companies.

Gabriel Singson, the airline's vice chairman, said the consensus among government officials that the ownership dispute that had dogged PAL was "not good for the airline."

An official of one government financial institution said of Mr. Tan, "He's already in control now, so there won't be any change if he ends up with 51 percent of PAL after the PR Holdings dissolution."

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## Rate Cut Won't Cure Hong Kong

By Kevin Murphy  
International Herald Tribune

HONG KONG — It has been a rough year for the Hong Kong economy, but an even bumpier ride lies ahead, some local economists said Friday, as the colony's largest banks cut their prime lending rates for the first time in more than three years.

While Hong Kong may hope lower rates will spark an economic turnaround and help smooth worries about its return to Chinese rule in July 1997, many people say more stimulative measures may well be needed in the months that remain.

On a number of fronts—from unemployment to inflation to the slumping property market—the local economy is at its weakest in several years, and bankers and analysts say it faces further slowdowns.

In a collective decision Friday, Hong Kong's banks moved to reduce the rates they

pay for short-term deposits, tracking a lowering of interest rates in the United States earlier in the week.

Two of the British colony's largest banking companies, Hongkong & Shanghai Banking Corp. and Standard Chartered Bank PLC, went further, trimming their prime lending rates a quarter of a point, to 8.75 percent, a move likely to be emulated soon by their rivals.

In an additional move, Heng Seng Bank Ltd. said it was cutting its standard mortgage rate to 10.5 percent from 10.75 percent.

"This will put more money in people's pockets," said Ian Wilson, chairman of the Hong Kong Association of Banks, which meets each Friday to set short-term deposit rates.

But continuing weakness in the local real estate market and consumer optimism about the political and social changes likely to flow from the transfer of sovereignty will require more than a quarter-point cut in the lending rate, in the view of many.

The property market has started picking up over the last quarter, and this will help," said one banker who asked not to be identified. "But overall, sentiment is more important than 25 basis points, and I think that sentiment is still pretty rocky here."

Many analysts say the local economy, while still expanding, is likely to grow more slowly in 1996 than this year.

On Friday, for example,

Hongkong & Shanghai Bank said in its annual economic forecast that growth would slip to 4.8 percent in 1996, compared with 5 percent forecast for this year.

This slowdown will come, they say, just as many local families are making wrenching decisions about whether to leave Hong Kong—decisions in which expectations about the local economy are believed to play a part.

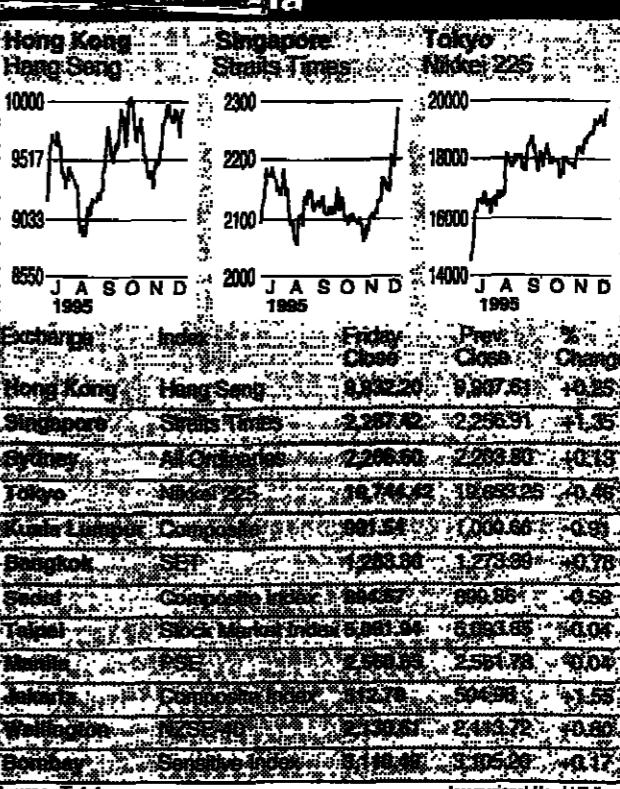
"Toward the middle of next

year, the prevailing gloom should lift and give way to a more positive outlook, assisted by lower interest rates," said Jim Wong, an economic adviser to Hongkong & Shanghai Bank's local unit.

"However, a sharp revival in consumer spending and property prices in the near term is not expected," Mr. Wong said, "as the downward adjustment in interest rates will be only limited and the level of unemployment is likely to remain high."

After wild rises in value in 1993 and part of 1994, local real estate prices have been falling steadily.

At the same time, as much manufacturing has moved to China to take advantage of lower labor costs, and retail sales and restaurant receipts in Hong Kong have dwindled, unemployment has hit 3.6 percent, its highest level in 11 years—a worrisome trend in an economy where inflation remains stubbornly above 8 percent.



Source: Reuters

### Very briefly:

• Canada has notified South Korea that it will raise tariffs on imported South Korean cars to 8 percent from 6.2 percent, effective Jan. 1.

• Novell Inc. of the United States awarded Internet Knowledge Service Center Co., a leading Internet provider in Thailand, the master license to two computer software systems for the Internet.

• Japan's transport ministry has approved plans to give airlines increased freedom to set domestic airfares, reports said.

• Hindustan Petroleum Corp., a state-run company, plans to invest 200 billion rupees (\$5.72 billion) in the next five years to expand its refinery and pipeline capacity, and build new projects.

• Time Warner Cable Communications has pulled out of a 2.3 billion Taiwan dollar (\$84.1 million) cable-television venture with the Ever Fortune construction company and Shinhung Chemical because of difficulties the venture, Taihush International Enterprise, encountered in receiving an operating license.

• Renong Bhd., a leading Malaysian government contractor, does not plan to ask shareholders for further help in financing its construction projects before 1998, its bank said. The company has proposed a rights issue of 477.5 million ringgit (\$188.2 million) worth of loan stock and a 500 million ringgit bond issue.

### Names, names, names . . .

• John Dawson, 52, will succeed Graham Hart as chief executive of Bank of Queensland in Brisbane, Australia, effective Jan. 1.

• Paul Z. Larson has been appointed as vice president of Asia Pacific operations and managing director of DuPont Singapore, a unit of DuPont Co. Bloomberg, Knight-Ridder, AFX, Reuters

## Tokyo Alleges Brokerage Covered Losses

Compiled by Our Staff From Dispatches

**TOKYO** — The Securities and Exchange Surveillance Commission sought criminal charges Friday against Chiyoda Securities Co., eight Chiyoda employees and three of the brokerage concern's clients over an alleged scheme to guarantee that certain clients would make money on stock trades.

The regulators said the company had compensated clients for losses in violation of Japanese securities law and inflated trading profits to help it make good on its promises. It was the first time Japanese authorities had invoked that provision of the Securities and Exchange Law since criminal penalties were added to it in response to a series of loss-compensation scandals in 1991.

At that time, several top brokerage concerns were reprimanded by the Ministry of Finance for guaranteeing profits for their

best customers.

Chiyoda is accused of using an elaborate computerized system to conceal compensation for losses on cash and margin share trading.

Chiyoda executives admitted they had broken the law and said the company's president, Kaneo Sato, might resign to take responsibility.

"We are sorry for the trouble we have caused," said Shinichi Handa, a director at Chiyoda Securities.

Officials of the regulatory body refused to comment further on the case.

The securities watchdog's action, filed with the Tokyo district public prosecutor's office, was expected to name Mr. Sato as well as a director, Mitsu Sone, and six other employees, the company and the three clients.

They are accused of involvement in cov-

ering 670 million yen (\$6.6 million) of trading losses for clients in 1993 and 1994, in part by using 67 million yen of Chiyoda's own money to pad the accounts of about 70 customers and falsifying documents to hide the payments.

The regulatory agency said it was seeking charges against only three of the 70 customers because those three had asked to be compensated.

Mr. Sato and Mr. Sone could not be reached for comment, but Mr. Sato has been quoted in the local press as saying, "it can't be helped" if the activities in question were to be called loss compensation."

If convicted, the Chiyoda executives could face a year in jail and fines of up to 1 million yen each, the brokerage could be fined 100 million yen, and the clients could face six months in jail and 500,000 yen in fines each. (Knight-Ridder, Bloomberg)

## Nikkei Hits Year's High

Compiled by Our Staff From Dispatches

**TOKYO** — Expectations for strong profit growth pushed Japanese stocks to their highest level in a year on Friday, but the Bank of Japan warned that despite improving corporate sentiment, the country's economy is continuing to stall.

The benchmark Nikkei 225 index rose 91.17 points, or 0.46 percent, to 19,744.42, the highest close since Dec. 29, 1994.

"How high it can go remains to be seen, but suffice it to say that nobody's really worried about the market plunging anymore," said Masayasu Sugawara at Marusen Securities Co.

Investors are becoming increasingly confident that the corporate outlook is improving as consumer spending begins to recover.

But in its monthly review of monetary and economic trends, the central bank said that employment was still weak, inventories were high and personal spending was recovering at only a moderate pace.

(Knight-Ridder, Bloomberg)

## MCI-News Corp. Deal Advances

Compiled by Our Staff From Dispatches

**SYDNEY** — Australia on Friday approved a proposal by MCI Communications Corp. to invest \$1 billion in News Corp.

With the MCI investment, News Corp. will be 28 percent owned by its Rupert Murdoch and his associates, 9.0 percent owned by MCI, 28 percent by Australian shareholders and 35 percent by other foreign shareholders.

The transaction also gives MCI the right of first offer to shares in News Corp. owned by Mr. Murdoch's family if they ever decide to sell their stake.

The deal will mark a worldwide alliance between the two companies, linking MCI's telecommunications expertise and News Corp.'s media empire. (AFP, Bloomberg)

## Mazda Wants Ford Alliance to Pick Up

Bloomberg Business News

**TOKYO** — A two-year-old plan for Motor Corp. and Ford Motor Co. to cooperate on vehicle development has fallen short of expectations as devotes its energies to reorganizing business, Mazda executives said on

"We're hopeful we are now in a position we can start thinking more seriously about cooperating more with Ford," says Wallace, a Mazda executive

owns 24.4 percent of Mazda. The uppers announced a long-term, December 1993 to work closely on

developing and manufacturing autos. The goal was to help both companies cut costs and improve competitiveness.

Shortly after the Ford-Mazda alliance came through, Ford embarked on an ambitious restructuring project, called Ford 2000, aimed at saving \$3 billion a year by the end of the decade.

"One of the hopes for the strategic relationship was to start to more fundamentally share platforms," Mr. Wallace said. "But Ford embarked on Ford 2000."

Mazda stood to gain the most. The plan came at a time when Mazda was weakened by an ambitious expansion plan in Japan. The carmaker's pretax loss over the pre-

vious two years had been 79.6 million yen (\$782.1 million) and this year Mazda is trying to break even.

Mazda is also behind other Japanese carmakers in opening overseas plants. One project that Ford and Mazda have started under their alliance is a joint-venture plant in Thailand to make pickup trucks.

Mr. Wallace said Ford's energies have been focused on merging its North American and European operations and joining operations in the Asia-Pacific region with Latin America. Those efforts are scheduled to be completed on Jan. 1, which could open the way for new activity between Mazda and Ford.

(Knight-Ridder, Bloomberg)

## INTERNATIONAL CLASSIFIED

### PERSONALS

### MOVING

### BUSINESS TRAVEL

### DIPLOMATIC APPOINTMENTS & sec

### SH-AVAILABLE IMMEDIATELY

### AUTO SHIPPING

### OCEANWIDE MOTORS

### DIVORCE 1-DAY CERTIFIED

### COLLEGES & UNIVERSITIES

### ARTS and ANTIQUES

### UNCERTAIN

### BUSINESS SERVICES

### EMPLOYMENT

### INDEPENDENT

### GENERAL POSITIONS WANTED

### AUTOS TAX FREE

### TRANSICO BELGIUM

### COLLEGE DEGREES

### FRIENDSHIPS

### INTERNS

### IMPORT/EXPORT

### INVESTIGATOR

### INVESTIGATORS

### LAW COST FLIGHTS

NASDAQ

**Friday's 4 p.m.**  
The 1,000 most-traded National Market securities in terms of dollar value, updated twice a year.  
*The Associated Press*

Dollar value, updated twice

The Associated Press													
12 Month High Low Stock		Div	Yld	PE	100s	Ss	High	Low	Lbd	Chg	% Chg	Vol	Open
<b>A</b>													
27/4 13% ABC Roll					18	90	274	22	22	-1	+1%	1,100	22
14/4 13% ACC Co		.46			204	107	107	107	107	+1	+1%	1,100	107
10/4 9% ACT Mtn					2222	21	105	105	105	-1	+1%	1,100	105
4/4 20% ADCTel s					262	21	262	21	262	-1	+1%	1,100	21
21/4 15% ADPflex					161	162	20	20	20	-1	+1%	1,100	20
30/4 15% AES CP					14	14	16	15	15	-1	+1%	1,100	15
30/4 15% AFACEN					7	208	16	15	15	-1	+1%	1,100	15
10/4 15% ASIM Ldn					14	14	25	24	24	-1	+1%	1,100	24
19/4 7% AST					57	57	57	57	57	-1	+1%	1,100	57
28/4 15% Accelair					14	1816	1245	12	12	-1	+1%	1,100	12
7/4 15% Accusim s					257	257	257	257	257	-1	+1%	1,100	257
1/4 4% ActionTech					275	275	117	117	117	-1	+1%	1,100	117
33 15% ActionTech					21	21	21	21	21	-1	+1%	1,100	21
1/4 15% ActionTech					115	115	115	115	115	-1	+1%	1,100	115
7/4 15% Acclaim s					55	55	24	24	24	-1	+1%	1,100	24
48/4 20% Admetec					202	202	202	202	202	-1	+1%	1,100	202
7/4 21% Adobesys					61	61	50	50	50	-1	+1%	1,100	50
61/4 15% Adoflex					14	14	49	49	49	-1	+1%	1,100	49
5/4 25% Adovatech					14	14	10	10	10	-1	+1%	1,100	10
45/4 15% Adovatech					10	10	10	10	10	-1	+1%	1,100	10
37/4 15% AHICorp					115	115	115	115	115	-1	+1%	1,100	115
30/4 10% Aducom					100	100	100	100	100	-1	+1%	1,100	100
28/4 15% AEIExp					20	195	15	15	15	-1	+1%	1,100	15
67/4 22% AICo					218	15	15	15	15	-1	+1%	1,100	15
64/4 24% Aigotech					361	361	20	20	20	-1	+1%	1,100	20
45/4 15% Aikom					107	107	107	107	107	-1	+1%	1,100	107
56/4 15% Aikom					107	107	107	107	107	-1	+1%	1,100	107
70/4 15% Ailertex					43	43	50	50	50	-1	+1%	1,100	50
34/4 15% AirexRes					115	115	115	115	115	-1	+1%	1,100	115
46/4 11% Airgen On					5	197	197	197	197	-1	+1%	1,100	197
37/4 22% AIRSinc					26	26	26	26	26	-1	+1%	1,100	26
27 15% AIRSinc					14	14	24	24	24	-1	+1%	1,100	24
44/4 15% AIEagleO					14	14	183	183	183	-1	+1%	1,100	183
24/4 7% AIM-Ford					14	14	14	14	14	-1	+1%	1,100	14
21/4 25% AIM-Green					21	21	21	21	21	-1	+1%	1,100	21
31/4 14% AIM-Port					14	14	14	14	14	-1	+1%	1,100	14
30/4 11% AIMBsd					2,521	43	9	9	9	-1	+1%	1,100	9
66/4 25% AIMT					9	107	57	57	57	-1	+1%	1,100	57
25/4 25% AIMTcln					12	147	104	104	104	-1	+1%	1,100	104
55/4 15% API-Env					14	14	207	207	207	-1	+1%	1,100	207
28/4 15% API-Env					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% API-Env					14	14	57	57	57	-1	+1%	1,100	57
55/4 15% Aramed					28	16	16	16	16	-1	+1%	1,100	16
17/4 57% Amreco s					20	20	16	16	16	-1	+1%	1,100	16
42/4 15% Andromed					14	14	14	14	14	-1	+1%	1,100	14
24/4 11% Andrew					5	175	175	175	175	-1	+1%	1,100	175
15/4 6% Aepco					14	14	14	14	14	-1	+1%	1,100	14
34/4 5% Aepco s					14	14	207	207	207	-1	+1%	1,100	207
20/4 31% Applic					14	14	14	14	14	-1	+1%	1,100	14
21/4 15% Applico					14	14	14	14	14	-1	+1%	1,100	14
20/4 9% Applex					14	14	14	14	14	-1	+1%	1,100	14
20/4 10% Applex					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Applex					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Applex					14	14	14	14	14	-1	+1%	1,100	14
26/4 2% Arkels					281	13	22	22	22	-1	+1%	1,100	22
23/4 15% Arko Corp					14	14	14	14	14	-1	+1%	1,100	14
20/4 15% Arctic					24	10	10	10	10	-1	+1%	1,100	10
29/4 7% Arethus					100	100	29	29	29	-1	+1%	1,100	29
17/4 7% Argyro					14	14	14	14	14	-1	+1%	1,100	14
14/4 6% ArkBest					14	14	14	14	14	-1	+1%	1,100	14
13/4 6% ArkBest					14	14	14	14	14	-1	+1%	1,100	14
6/4 6% Artif					14	14	14	14	14	-1	+1%	1,100	14
9/4 14% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 17% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
20/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
34/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
14/4 15% Ascom Tts					14	14	14	14	14	-1	+1%	1,100	14
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NYSE

## **Friday's 4 p.m. Close**

(Continued)

If You  
To Ask  
Can Af

For Blue

**T**HE big blue-chip market has been up this year. The annual average through the record-breaking November close was 17% up, or 17.73, up 35 percent from 1972. The Dow has had its share of inflation. Between a crowd of new issues from Washington, political technology stocks and franchises in solid form, like Coca-Cola Co., Merck & Co. and Goodyear Co. So after such an extraordinary party over for three years, say the pros, to expect a repeat performance? Well, a look back at the companies that specialize in the market shows that some have surged as much as 50 percent in the previous two to three years. Still, with some market experts predicting a 1974 where should a good place to go?

## Fact and

**W**ITH soaring share prices of mutual funds, fund managers may be watching all companies take their capitalization territory. As share prices rise, capitalizations for the funds that own such stocks, for example, Global Small Company's manager, Gerald Morar, says with an average of \$1 billion. Recently he was with an average of \$1 billion.

Although Mr. Morar is though his portfolio is in the technology sector, his favorite holding, the German software producer SAP AG, has therefore, also in capitalization, been small when it was small, trimly, we've been trimly, Morar said. "The reason SAP tends to come when it's out of its capitalization, there's always the question, 'What's the average size of the market?' In fact, small-stock funds like ours consider 'mid-caps' up to \$1 billion," a

## MONEY

## FIRST COLUMN

If You Have  
To Ask, You  
Can Afford It

**E**VEN in financial circles, the debate is furious: Is size important? The answer, at least where market capitalization is concerned, appears to be that it is, but the reasons why differ according to the analyst you ask for an opinion.

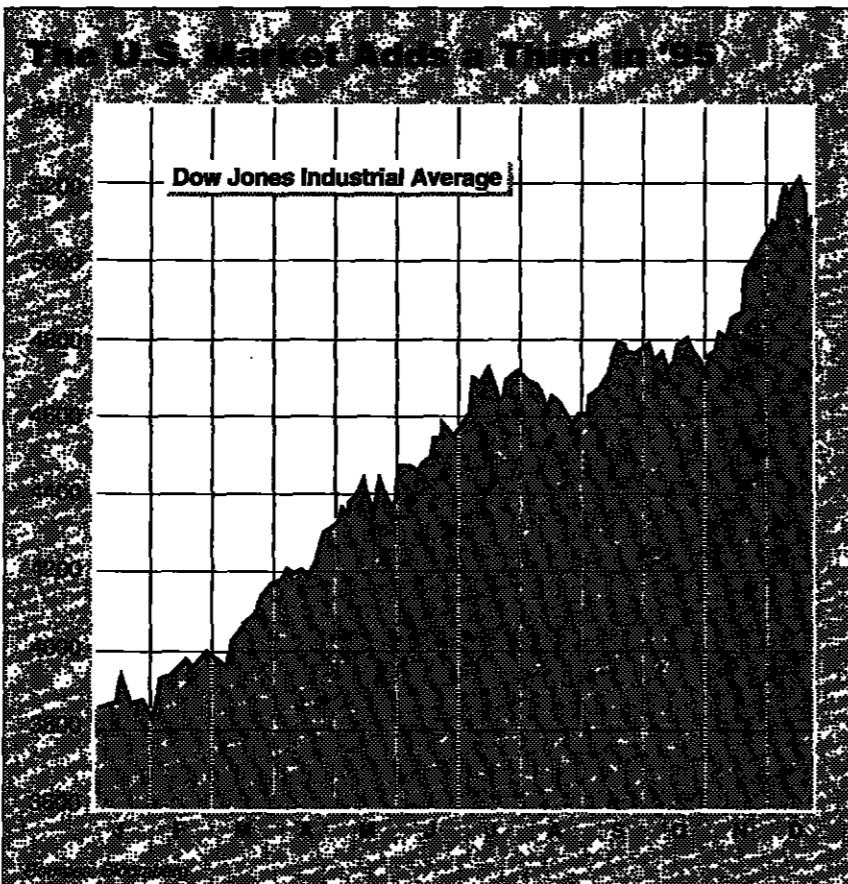
For many small investors, however, size of a different order is the crucial issue. Few really care about the liquidity of the market, the width of the trading margin or the management flexibility of the company. Forget market capitalization. What really matters is the size of the share price—and here, the smaller the better.

The reason for this is simple enough: leverage. In crude terms, a penny on a share priced at 10 cents is ten times more valuable than the same gain on a stock priced at a dollar. This is an often-ignored extra selection criterion employed by small investors.

There are those who commit their cash to last year's underachievers. These stocks, as Judith Rehak reports this week, are sometimes referred to as the "Dogs of the Dow." Their chief attractions are a satisfyingly poor performance in the preceding year and a good level of income. But the sheer excitement of tracking relatively large percentage swings is an important added factor. Thus, a lower-priced stock can be just that little bit more attractive.

There is, of course, no good reason to buy a penny stock if you believe in an efficient market that will price good news at the right level, whether a stock be at one penny or a thousand. But the fact is that stock splitting tends to have a beneficial effect on share prices more often than not. So in this case, at least, small is definitely beautiful.

M.B.



## Small Caps: More Than Bulls and Bears

By Conrad de Aenlle

**S**MALL U.S. stocks spent most of the 1980s bull market becoming even smaller, compared with their larger-capitalized, blue-chip brethren. In the last couple of years they have surged, giving their owners cause to hope that they will continue to outpace larger issues for years to come.

If it is a reasonable hope. Periods of comparative weakness in smaller stocks are usually followed by periods of strength, with each hill and valley taking about seven years to reach.

Between 1974 and 1983, the smallest 10 percent of American stocks rose by 28.4 percent a year, compared to 10.6 percent for all stocks, according to John Ballen, chief equity officer at Massachusetts Financial Services, a fund management company. From 1984 through 1990, small stocks drastically underperformed, rising by 2.6 percent per year, while the market as a whole rose by 14.6 percent. Since then

smaller stocks have been ascendant. active performance is that small caps usually do best in the early stages of a bull market, then surrender leadership to larger, safer companies as the market grows weary. Smaller stocks "will be exploited and reach very high valuation levels" as investors "look for niches that offer greater value," said Bernadette Murphy, a technical analyst at Kimmelman & Baird. Then, after the easy money has been made, the enthusiasm wears off. "When people become uncertain about the direction of the market, they move to where things are more secure," she said.

But that would only account for part of the small-cap cycle. When big stocks started to outpace small ones in 1984, the Dow Jones industrials were barely above 1,000, on their way to 2,700 before the crash and ultimately 5,000-plus — hardly the warning days of a bull market.

Louise Yamada, who studies market cycles at Smith Barney, said the cycle in small-cap stocks reflected the evolution of the world economy, and of the makeup of smaller publicly traded companies.

In the 1960s and 1970s, shares in smaller companies — the sort that supplied parts and services to bigger ones — did especially well. Now, Ms. Yamada argued, "we're in a different kind of two-tier market, globally exposed stocks versus domestically exposed." Large companies, she said, are better able to take advantage of the freer global market place that developed in the 1980s, while small companies concentrate on their home market.

One explanation for the swings in rel-

efited from the postwar expansion, but now and in years to come, she said, the best growth will come in the developing world, where multinationals stand the best chance of success for the foreseeable future.

Mr. Ballen of MFS pointed out, though, that small companies have been growing their businesses much faster than big ones during the last several years. "All job growth in the U.S. has been from small companies," he said. "Larger companies have been downsizing and retrenching."

The reason large companies excelled in the 1980s, he theorized, is that the consumer-goods companies that led the market benefited from a period of low, but not too low, inflation. They were able to nudge up prices steadily and consolidate their operations to make them run more efficiently, all of which helped improve earnings year after year. Philip Morris Cos. "could get 20 percent earnings growth by just raising prices and restructuring," he said. "If you can get a 20 percent return on Philip Morris, why buy smaller companies?"

After inflation shrank a few years ago and the easy efficiency gains had been made, those returns were harder to come by. "In the 1990s, what has switched around is that larger companies can't get more increases, so smaller companies look more attractive," Mr. Ballen said.

*The Money Report is edited  
by Martin Baker*

## For Blue Chips, Party Is Far From Over

By Judith Rehak

## Large vs. Small

**P**AGE 15  
How to use stock indexes  
The advantage to mega-funds  
Size strategy for a bear market

**T**HE big blue chips of the U.S. stock market have had a fabulous run this year. The Dow Jones industrial average of 30 stocks soared through the record-breaking 5,000 mark in late November, closing last week at 5,176.73, up 35 percent for the year.

The Dow has had everything going for it since mid-inflation, declining interest rates, and a crowd of investors seeking refuge from Washington politics, roller-coaster technology stocks and emerging market debacles in solid, familiar names like Coca-Cola Co., Merck & Co. and Procter & Gamble Co.

So after such an extraordinary year, is the party over for blue chips? Not necessarily, say the pros, but neither do they expect a repeat performance of 1995. Indeed, a look back at the performances of funds that specialize in big well-known companies shows that while these funds have surged as much as 40 percent this year, many have delivered sub-par returns in the previous two to three years.

Still, with some market watchers predicting the Dow could go to new heights in 1996, where should a blue-chip investor be looking now?

"The question is, what kind of blue chip?" says Roger Engemann, manager of the Pasadena Nifty Fifty and Pasadena Growth funds. Since he expects a slower economy in 1996, Mr. Engemann's funds will "stick with the steady growers like

Merck, Disney and McDonald's because their earnings will be up 15 percent or more, and recessions don't hurt them."

What he does not own are cyclical blue-chips like Caterpillar Inc., International Paper Co. or the auto stocks, companies he does not think will do well in 1996. "In a weak economy people will still go to the doctor, or take the kids to McDonald's, but a car can wait," he says.

For investors not inclined to detailed analysis of individual companies, the "Dogs of the Dow" method is one way to take a stake in blue chips. At the end of each year, these contrarians simply buy the ten stocks in the Dow Jones industrial average that have done the worst for the year, but pay the highest dividends, and hold them for the next 12 months. This strategy has produced some big winners: Two of 1994's most notable "dogs," Philip Morris Cos. and J. P. Morgan & Co., are up 68 percent and 47 percent, respectively, this year.

Robert Stovall, president of Stovall/Twenty-First Advisers, takes the same theory and adds a few twists. Owners of Sears, Roebuck & Co., a 1994 dog that soared 72 percent this year, should take partial profit,

its, but owners of Philip Morris, which he believes is still undervalued, should hang on for now. And while Mr. Stovall likes some of this year's dogs, such as Chevron Corp., he is reluctant to buy others, like Woolworth Corp., which was a dog last year but lost ground throughout 1995 and then dropped off the list when it stopped paying a dividend. "The jury is still out on whether it will be a survivor," he says.

Another thing to consider when buying a U.S. blue chip, say the experts, is how much business it does overseas. "We have found that in many of the companies that are performing marvelously, it's international where the real growth is coming from," says David Fowler, equity strategist for the Vanguard U.S. Growth Fund. Like many other blue-chip fans, Mr. Fowler owns McDonald's Corp., whose fast-food empire is spreading to Eastern Europe and China, and Coca-Cola, which gets 80 percent of its revenues from outside the United States. Recently, his fund took a large position in Pepsico Inc. Coke's arch-rival and another global player.

Blue-chip investors are also doing more shopping in the top tier of technology stocks, such as Intel Corp. and Hewlett-Packard Co. After a red-hot performance for much of the year, share prices of these companies have taken a beating in the last seven weeks. For many portfolio managers, that is a buying opportunity. "We love companies like Intel," says Mr. Engemann. "It's big, profitable, and growing fast, earnings-wise, and they have 80 percent of the world market" in their field.

## Fact and Fiction About Minis and Micros

By Baie Netzer

**W**ITH soaring technology shares driving the performance of many small-stock funds, fund managers and investors may be watching their favorite small companies take their first steps into mid-capitalization territory. As these companies' share prices rise, so do the average capitalizations for the so-called small-stock funds that own such shares.

Take, for example, the \$250 million Scudder Global Small Company Fund. The fund's manager, Gerald Moran, like other small-stock fund managers, invests in companies with market capitalizations of less than \$1 billion. Recently, his fund owned stocks with an average capitalization of \$600 million.

But though Mr. Moran has less than 20 percent of his portfolio invested in the technology sector, his favorite stock and largest holding, the German business software producer SAP AG, has soared in price and, therefore, also in capitalization.

"It was small when we bought it but lately, we've been trimming back on it," Mr. Moran said. "The real performance for a stock tends to come when it does start to break out of its capitalization range, but then there's always the question of what to do with it when it becomes so big."

Indeed, the average capitalization of most small-stock funds lies in what some investors consider "mid-cap" range (\$500 million to \$1 billion), according to data

from Lipper Analytical Services Inc. At the end of November, the average capitalization of small-stock funds was about \$800 million, according to Lipper data.

Investors looking for even smaller companies to invest in might be interested in so-called micro-cap or mini-cap funds. These funds generally invest in stocks with capitalizations no higher than \$200 million to \$250 million.

But while some might think that the highest returns lie in these undiscovered tiny stocks, history suggests otherwise. Both the one-year and five-year total returns for U.S. micro-cap stock funds are lower than similar returns for small-stock funds, according to Lipper. Towards the end of November, for instance, small-stock funds had returned an average of 21.8 percent annually over the last five years, while micro-cap funds had returned 17.4 percent annually during the same period.

Of course, an advantage to micro-cap funds is that with lower returns come lower risk. Kim Rebecca, an analyst at Morningstar, the Chicago-based fund research group, found that micro-caps had much less risk than average small-cap funds.

"Micro-cap stocks tend to be underfollowed by analysts, so they're also undertraded and they have low price risk," Ms. Rebecca said. "The funds that buy them are also more diversified across sectors because there aren't so many technology stocks which fall into the micro-cap range."

Among funds specializing in stocks with an average capitalization of less than \$200 million, three have achieved Morningstar's

highest ranking of five stars: Heartland Value, Franklin Balance Sheet Investment and T. Rowe Price Small-Cap Value Fund.

But because the stocks held in micro-cap funds are not widely traded, transaction costs for the funds tend to be higher, resulting in higher expense ratios for investors. In addition, Ms. Rebecca points out that the liquidity risk on these stocks is high, though the historic returns on these funds have generally made up for that risk.

Still, she warned, "investors should definitely have a long time horizon because it will take these companies longer to develop their potential."

At T. Rowe Price, a spokesman, Steve Norwitz, acknowledged that investors in micro-caps take on increased business risk but also pointed to the reduced market risk that micro-caps carry. "It's true that small stocks do fall more in price when the overall market goes down," Mr. Norwitz said. "But micro stocks are hardly traded at all, so they hardly move at all."

Investors interested in non-U.S. stocks will have a hard time finding international micro-cap funds abroad, however. T. Rowe Price's International Discovery Fund, for instance, has an average capitalization of \$442 million, well under the average for U.S.-invested funds but still over micro-cap territory.

Mr. Moran said one explanation lay in the higher risk attached to non-U.S. markets. "As you start to invest overseas, liquidity is a lot worse than in the United States for stocks with the same market capitalization," he said.

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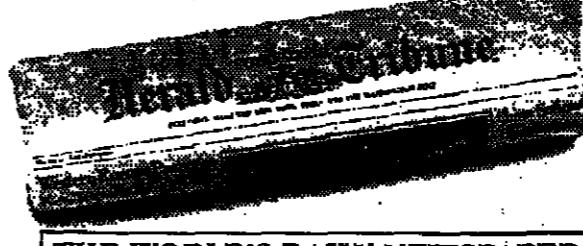
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THE WORLD'S DAILY NEWSPAPER

JP



## THE MONEY REPORT

## Indexes Prove a Useful but Limited Tool

By Digby Larmer

**T**Hese days most investors are sensitive to the ups and downs of world stock indexes regardless of how directly their own investments are affected. A sudden flood of cash out of the Standard & Poor's 500, for example, is likely to send investors diving for cover in markets outside the United States.

Likewise, an extended bull market in one major market, where "psychological" barriers are consistently broken and stock prices hit all-time highs, may produce a spillover effect and boost investor confidence in a number of different markets.

But while indexes provide a necessary benchmark measure of investment performance, some are too broadly based to be effective for highly focused, smaller portfolios concentrating purely on large- or small-company stocks.

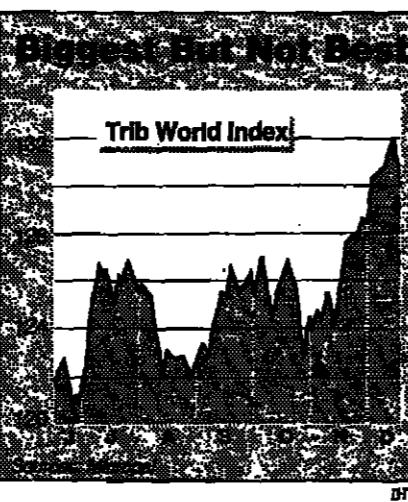
John Tickle, an analyst with Legal & General in London, says that with an index like the FTSE All-Share, which tracks around 900 shares, there can be a huge disparity between the effect the largest and smallest capitalized shares have on the index's overall performance.

The top ten stocks account for about 25 percent of the index's total capitalization, he says. "By the time you get down to the top 100, you have about 75 percent of the index's total market capitalization and there is still another 800 or so shares to go at the smaller companies end."

In some international markets the weighting of a single stock can be enough to skew the performance of a whole index if the share's price moves. In the Netherlands, for example, Royal Dutch/Shell Group, the British-Dutch energy conglomerate, accounts for 31 percent of the local index's total capitalization.

For investors who are interested only in the biggest and smallest stocks traded on the London Stock Exchange, there are two separate indexes. The FTSE 100 monitors the 100 largest capitalized stocks, and the Fledgling index covers the smallest.

But even where big and small companies are separated out from broader indexes, true performance can still be distorted. A po-



Trib World Index

tential problem is that not all the stocks represented by an index may be available.

This is a constant difficulty for international investors who frequently confront foreign ownership restrictions in certain countries.

To get around this, some indexes are published in two versions — one covering all stocks, and another quoting only those that can be bought internationally. The range of world indexes published by Morgan Stanley Capital International has both "free" and "non-free" varieties. The International Herald Tribune's Trib Index tracks the top 10 capitalized stocks in 25 major stock markets and quotes only companies that can be bought by foreign investors.

The way an index is calculated can also make a difference. One of the world's oldest indexes is the FT30, which monitors the performance of London's 30 biggest stocks. Its greatest advantage, say experts, is that it has a track record going back to 1935. Its major drawback, according to Tim Thomas, a director with Guinness Flight Capital Management Ltd. in London, is that it is calculated geometrically. "That means the price of all 30 stocks is added together and divided by 30. Mathematically the average performance of the index is reduced. It's not a serious problem, and not a deliberate tactic, but it means that a manager simply buying up all 30 shares could claim to be outperforming the index."

Most larger indexes are calculated dif-

ferently from the FT 30, taking into account the individual weighting of each component stock. But occasionally stocks that are theoretically available are, in fact, almost impossible to buy.

Marco Caciti, a spokesman for MSCI in London, says the most problematical shares are those of privatized companies where the issue is targeted at a wide range of investors, or shares that have been held for a long time by an individual or institution and which never come to the market.

"We try and separate out this portion from the float," or the shares that can actually be bought and sold, Mr. Caciti says. "For example, we decided not to quote recent Italian privatization stock because only 15 percent of each company was sold off. We felt they were just too illiquid to be worth putting in the index."

He added that the MSCI index also tries to weed out disparities caused by the cross-ownership of different companies. In Turkey, for example, the Koc Holding company owns a number of subsidiaries, all of which are listed. Because of funding arrangements between the parent and its related businesses, MSCI decided to drop the main company from its index and quote only the subsidiaries. "Otherwise there would be a danger of duplicating figures where profits made by a subsidiary also appeared in the parent company's accounts," says Mr. Caciti.

But for investors who are unable to find an index they feel happy with the good news is that the number of smaller, specialized indexes is growing.

On the smaller companies side are indexes run by investment management groups like Hoare Govett and James Capel & Co. in Britain. Apart from those concentrating on big- and small-cap stocks there are also those devoted to niche investment sectors.

One growing trend is towards "tailored" indexes, built by statistical companies, like Datastream in Britain, to conform to an investor's specific needs. While a personalized index would be prohibitively expensive for most individual investors, sometimes indexes commissioned by investment management groups are made available to private investors.

## Mutual Fund Giants' Home Run Year

All data is through 11/30/95

	Assets Under Management	1994	1995	Change	Value
Fidelity Magellan	\$3.31	40.26	19.95	-21.3%	\$2,095.00
Washington Mutual Investors	36.42	38.06	16.34	15.71	17,018.60
Fidelity Puritan	18.71	18.95	14.51	16.62	14,576.20
Fidelity Contrarian	35.14	36.35	18.52	24.80	13,780.00
Vanguard/Windsor	30.63	30.49	17.17	19.71	13,007.80

Source: Morningstar

International Herald Tribune

## Biggest Funds Play by Their Own Rules

By Ann Brocklehurst

**C**AN mutual funds become too big for their own good? The jury is still mulling it over, but much of the statistical evidence appears to contradict the conventional wisdom that big funds do not perform as well as small ones.

Fidelity's Magellan Fund, the biggest of them all with \$52.1 billion in assets, has racked up returns of 38.31 percent in the year to date against five-year annualized returns of 21.38 percent And Magellan is by no means the exception that proves the rule. According to Lipper Analytical Services Inc., which has compared the performance of big funds to small funds by size, the median fund's performance is not necessarily eroded by a fund's size.

While growth does cause some funds to forfeit their claim to small-cap status, it does not necessarily erode their performance. Morningstar, the Chicago-based mutual-fund monitoring group, set out to find out what impact cash inflows have had on the 15 largest U.S. diversified equity funds, including Magellan. The group averaged \$3 billion in assets per fund at the end of 1991, compared to \$12 billion this summer.

"It's a topic which comes up with some frequency. People keep asking us, 'Gee, has Fidelity Magellan gotten too big to manage?'" says Jon Teall, a Lipper spokesman. "We dispute that notion. Size does not have to be a limitation in different markets."

Even among small-company growth funds, the bigger players — those with at least \$750 million under management — have done better this year than their smaller brethren, those with assets of \$10 million to \$20 million. The bigger funds yielded an average of 31.78 percent through Dec. 14, according to Lipper data, compared to 29.12 percent for the smaller funds. Smaller funds beat bigger funds only in the equity income group, where funds up to \$20 million had returns of 29.65 percent this year against 27.20 percent for funds over \$2 billion and 29.89 percent for mid-sized funds (\$250 million to \$500 million).

She notes, however, that in 1995 Magellan was its "most idiosyncratic in years," focusing on mid-cap companies, holding only half its assets in S&P 500 issues, and sticking 40 percent of total assets — four times the market average — in technology companies.

"You don't get to be the world's largest mutual fund simply by doing what everyone else is doing and, indeed, Fidelity Magellan has bucked the trend," she writes.

That does not mean, however, that there are no disadvantages to being big. For one thing, it is difficult for a multi-billion-dollar fund to take any kind of meaningful position in some of the interesting small companies whose high returns can significantly boost the earnings of smaller portfolios. As a result, some small-cap managers have closed their funds to new investors once assets start to grow.

Philippe Hager North Investment Funds of Vancouver put a

funds going back as far as December 1986.

In Canada, where two-thirds

of fund assets are concentrated in about 100 of the roughly 1,000 funds sold, Mr. Young found that the "giants bear the smaller funds hands down — sometimes by a little, sometimes by a lot."

Ms. Voss Sanders notes that people used to believe that once a fund reached \$5 billion in assets, it would be forced to become a market surrogate. After analyzing current data, however, she concludes: "If one thing is certain, it's that nothing is certain."

She does, however, offer some guidelines for what to expect from an already large fund that grows significantly:

- Do expect more stocks in the portfolio, and more larger-cap ones;
- Don't expect less overall market exposure, more foreign exposure or a change in overall performance.

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Under 25  Male

25-34  Female

35-44

45-54

55-64

65 or over

I am requesting information for:

Myself

A family member

An employee



## SPORTS

# Free Throws Key Rockets' Victory

*The Associated Press*

One sign of a great team is that it is not satisfied with just winning. That characterizes the two-time NBA champion Houston Rockets.

"I'm just happy for the win, but not really the way we got it," Hakeem Olajuwon said after the Rockets beat the Portland Trailblazers, 91-86, Thursday night, primarily by sinking their free throws. "The key is doing whatever it takes to win, and we did."

Olajuwon, who started out shooting just 3-for-12, finished

**NBA ROUNDUP**

with 30 points and 15 rebounds, marking the eighth time in his last 12 games that he's had at least 30 points.

Free-throw shooting was the difference. Houston made them. Portland, the NBA's worst foul-shooting team, didn't. The Rockets finished 22-for-27 from the line, including 8-for-9 by Olajuwon and all six by Sam Cassell, who finished with 20 points.

Rod Strickland finished with 30 points to lead Portland, including 13 in the third quarter as the Blazers used a 12-3 run to wipe out an 11-point deficit and eventually tie the game at 65 with 48.6 seconds to go.

Chucky Brown chipped in with 13 points and 12 rebounds for the division-leading Rockets, who are 8-2 this month and 10-2 at home for the season.

**Jazz 88, Cavaliers 87** John Stockton caught an inbound pass and swished a straightaway 3-pointer at the buzzer to lift the Utah past Cleveland.

Stockton's shot made up for some poor foul shooting that allowed the Cavaliers to overcome a 6-point deficit in the final 24 seconds.

Utah, which won a road game against Cleveland for the first time since 1991, got 21 points from Karl Malone and 15 from Stockton.

**Hornets 107, Celtics 97** Glen Rice scored 27 of his 31 points in the second half as Charlotte defeated Boston.

Charlotte scored the first 16 points of the fourth quarter to go ahead 84-77. After Boston cut it to 91-87 on a three-point play by Todd Day, Rice scored two consecutive baskets and Kendall Gill sealed the win with a left-handed dunk for a 95-90 lead with 1:01 to go.

**Spurs 114, Nuggets 93** David Robinson and Vinny Del Negro paced San Antonio to its fourth consecutive victory. Robinson had 25 points, 14 in the first half, and Del Negro added 21.

Dale Ellis led Denver with 21 points, 14 in the second half.

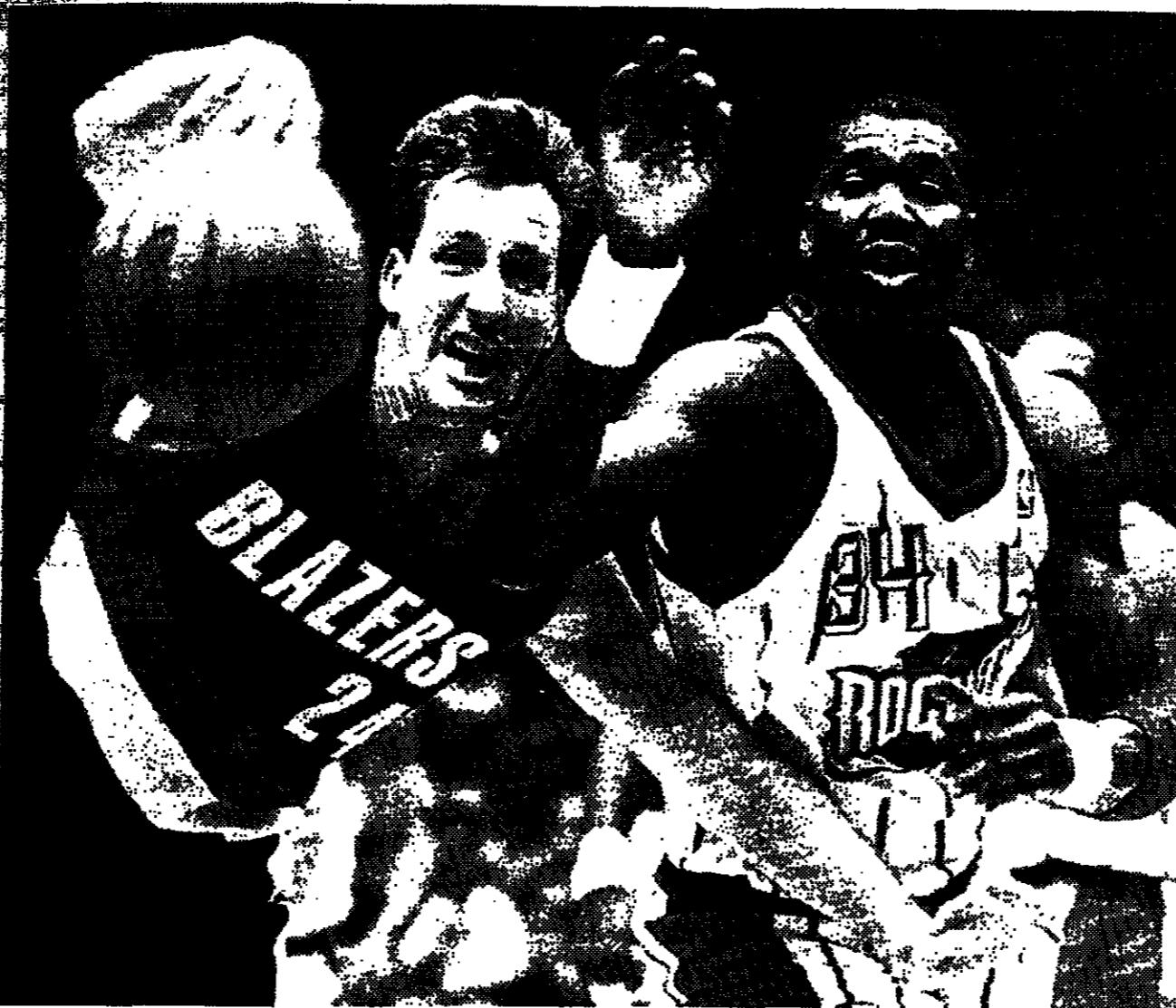
**Sonics 92, Grizzlies 88** There was a 292-pound hole in the middle of the Vancouver Grizzlies' lineup. As a result of a missing Bryant "Big Country" Reeves, they didn't have much of an offense and the crowd saw an expansion team at its worst and began leaving early in the fourth quarter.

Gary Payton led the Seattle SuperSonics with 22 points and six assists, and Shawn Kemp had 15 points, 12 rebounds and five blocked shots.

**Clippers 103, Kings 96** The Sacramento Kings, off to one of the best starts in franchise history, got a dose of reality when they faced the division cellar-dwelling Clippers.

The Clippers stunned the high-flying Kings by making 35 free throws and rallying from behind three times in the first three quarters.

The loss knocked Sacramento out of the Pacific Division lead, a half-game behind Seattle.



The Rockets' Hakeem Olajuwon and the Blazers' Chris Dudley chase down a rebound in Houston's 91-86 victory.

By Jack Curry  
New York Times Service

emerged late Thursday when he accepted the Yankees' three-year, \$19.5 million contract offer.

Hours after the Orioles had

strengthened their team significantly by signing the All-Star

second baseman Roberto Alomar as a free agent to a three-

year, \$18 million contract, and

minutes after the Mets had

failed in a surprising attempt to

sign him, Cone decided to return to the Yankees. His affection for them and owner George Steinbrenner's commitment of a no-trade clause outweighed the factors that made Baltimore so appealing.

As the Orioles upgraded their

roster in recent days by adding Randy Myers, Kent Mercker, Roger McDowell, B.J. Surhoff, and then Alomar on Thursday,

Cone noticed Alomar's addition was especially pivotal because he and Cone were the two high-priced free agents the Orioles and Yankees, American League East rivals, were competing for.

By finally signing Cone, the

Yankees avoided an embarrassing

situation and corralled the player who had been the focus of their off-season plans.

**SCOREBOARD****BASKETBALL****NBA STANDINGS****EASTERN CONFERENCE****ATLANTIC DIVISION****MIDWEST DIVISION****CENTRAL DIVISION****WESTERN DIVISION**

Team	W	L	Pct	GB	GS	GP	W	L	Pct	GB	GS	GP	W	L	Pct	GB	GS	GP	W	L	Pct	GB	GS	GP
Orlando	19	18	.500	—	—	36	22	21	.514	—	—	36	22	21	.514	—	—	22	21	.500	—	—	36	
New York	18	19	.479	—	—	36	22	23	.486	—	—	36	22	23	.486	—	—	22	23	.479	—	—	36	
Atlanta	13	10	.500	—	—	26	18	18	.500	—	—	26	18	18	.500	—	—	18	18	.500	—	—	26	
Washington	12	11	.500	—	—	26	18	18	.500	—	—	26	18	18	.500	—	—	18	18	.500	—	—	26	
New Jersey	9	9	.477	—	—	22	15	15	.500	—	—	22	15	15	.500	—	—	15	15	.477	—	—	22	
Philadelphia	5	17	.238	—	—	22	15	15	.238	—	—	22	15	15	.238	—	—	15	15	.238	—	—	22	
Chicago	21	19	.514	—	—	36	22	23	.514	—	—	36	22	23	.514	—	—	23	23	.514	—	—	36	
Cleveland	12	19	.389	—	—	36	22	24	.389	—	—	36	22	24	.389	—	—	24	24	.389	—	—	36	
Atlanta	11	12	.481	—	—	36	22	23	.481	—	—	36	22	23	.481	—	—	23	23	.481	—	—	36	
Charlotte	12	14	.462	1.0%	—	36	22	24	.462	1.0%	—	36	22	24	.462	1.0%	—	24	24	.462	1.0%	—	36	
Memphis	7	13	.357	1.0%	—	36	22	23	.357	1.0%	—	36	22	23	.357	1.0%	—	23	23	.357	1.0%	—	36	
Toronto	8	16	.333	1.0%	—	36	22	24	.333	1.0%	—	36	22	24	.333	1.0%	—	24	24	.333	1.0%	—	36	
WESTERN CONFERENCE	15	15	.500	—	—	36	22	22	.500	—	—	36	22	22	.500	—	—	22	22	.500	—	—	36	
Denver	15	15	.500	—	—	36	22	22	.500	—	—	36	22	22	.500	—	—	22	22	.500	—	—	36	
Seattle	15	15	.500	—	—	36	22	22	.500	—	—	36	22	22	.500	—	—	22	22	.500	—	—	36	
Oklahoma City	15	15	.500	—	—	36	22	22	.500	—	—	36	22	22	.500	—	—	22	22	.500	—	—	36	
Vancouver	15	15	.500	—	—	36	22	22	.500	—	—	36	22	22	.500	—	—	22	22	.500	—	—	36	
Portland	11	19	.389	1.0%	—	36	22	23	.389	1.0%	—	36	22	23	.389	1.0%	—	23	23	.389	1.0%	—	36	
San Antonio	15	15	.500	—	—	36	22	22	.500	—	—	36	22	22	.500	—	—	22	22	.500	—	—	36	
Phoenix	15	15	.500	—	—	36	22	22	.500	—	—	36	22	22	.500	—	—	22	22	.500	—	—	36	
Seattle	15	15	.500	—	—	36	22	22	.500	—	—	36	22	22	.500	—	—	22	22	.500	—	—	36	
Los Angeles	13	13	.500	—	—	36	22	22	.500	—	—	36	22	22	.500	—	—	22	22	.500	—	—	36	
Portland	11	13	.429	1.0%	—	36	22	22	.429	1.0%	—	36	22	22	.429	1.0%	—	22	22	.429	1.0%	—	36	
Phoenix	11	13	.429	1.0%	—	36	22	22	.429	1.0%	—	36	22	22	.429	1.0%	—	22	22	.429	1.0%	—	36	
Utah	15	15	.500	—	—	36	22	22	.500	—	—	36	22	22	.500	—	—	22	22	.500	—	—	36	
Memphis	11	15	.429	1.0%	—	36	22	22	.429	1.0%	—	36	22	22	.429	1.0%	—	22	22	.429	1.0%	—	36	
San Antonio	15																							

